

Palme Suspect Named
Rightist Group, Linked to Man, Denies Any Role

By Richard Murphy
STOCKHOLM — The Stockholm public prosecutor's office identified Tuesday a man charged with involvement in the murder of Prime Minister Olof Palme, and a far-right political party said he was a former member.

The man, Alex Lehtinen, 32, was charged Monday as a perpetrator in the murder of the prime minister, K.G. Ericson, and police refused to say whether he was suspected of firing the fatal shot or of being an accomplice to the murder.

A spokesman for the Swedish branch of the European Labor Party said the suspect had been briefly detained with the group but was never a member.

"He was a member for several months at the beginning of 1985," Ericson, Michael Ericson, said in a radio interview.

"When it became clear that he was not the least strange idea at indicated cut tendencies, we stated ourselves and broke off contact with him," he said.

Mr. Ericson denied that the party had been involved in the assassination, but said: "There have been far attempts by Moscow to use the murder at our door."

The party is the European branch of a defunct U.S. rightist movement headed by Lyndon H. Rouds Jr., a representative of the U.S. Labor Party.



Jacques Chirac being ushered into Elysee Palace on Tuesday to see François Mitterrand.

U.S. Tries to Ease European Trade Limits

By Stuart Auerbach
WASHINGTON — After years of spotlighting Japanese trade barriers, Reagan administration officials are turning their attention toward Western Europe, where they say protectionism is on the rise.

Four major trade issues are brewing with Europe, including agriculture and telecommunications. U.S. lawmakers, administration officials, farmers and business people say any of them could erupt into a trans-Atlantic trade war.

The concerns have been kept muted to avoid antagonizing European allies until after the Spanish vote last week on whether to remain in NATO and Sunday's parliamentary election in France.

Now American politicians and businesses are pressuring U.S. trade negotiators to pay more attention to Europe while stressing that the federal government should not let up on efforts to open markets and end unfair trade tactics in Japan, the newly industrialized nations of the Pacific rim and the heavily indebted Latin countries.

"We're quite concerned" over trade issues with Europeans, which have become hard to manage because they involve individual nations as well as the European Community, Clayton Yeutter, the U.S. trade representative, said at a luncheon last month.

"Often we are dealing with a nebulous political situation," he said, and the situation has become "increasingly challenging" with the addition this year of Spain and Portugal as the 11th and 12th members of the Community.

Chirac Is Asked by Mitterrand To Head New French Cabinet

By Joseph Fitchett
International Herald Tribune
PARIS — President François Mitterrand asked Jacques Chirac, the neo-Gaullist leader, on Tuesday to form a government, starting France into an era of power-sharing between a Socialist president and a rightist prime minister.

Mr. Chirac said that he would accept Mitterrand's offer after consultations with leaders of his party, the Rally for the Republic, and with the Union for French Democracy, led by former President Valéry Giscard d'Estaing.

The two parties, which won a slender prime ministerial majority in elections Sunday, have agreed to support a joint legislative program. Mr. Chirac would be the first French prime minister who is far from his president on the political spectrum since Charles de Gaulle founded the Fifth Republic 25 years ago.

Mr. Chirac, 53, seen as the main architect of the conservative narrow victory in parliamentary elections, is the preferred candidate of the conservative coalition.

Mr. Mitterrand and Mr. Chirac have strong motives to work together, partly because both men have their eyes on the 1988 presidential elections but also to help France move toward a more flexible political system.

For Mr. Chirac, a successful performance as prime minister could give him the stature to overtake Raymond Barre, another former prime minister under Mr. Giscard d'Estaing, who leads all polls as a presidential contender.

These barriers come at the same time as a sharp drop in the value of the dollar against the European currencies, making American goods potentially more affordable in European markets.

However, "Europe is moving in a much more protectionist way, while Japan seems to be becoming less protectionist," a senior U.S. trade official said.

That view is underscored by a \$33-billion swing in the past four months in the balance of trade between the United States and Western Europe.

In 1982, the United States had a \$3.5-billion trade surplus with Europe. By last year, it had become a \$27.4-billion deficit.

EC representatives steadily deny that the community is becoming protectionist. They play down the barriers that are being put in place.

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## Lobby Effort Builds for Vote On Aid to Nicaraguan Rebels

By Edward Walsh

Washington Post Service

WASHINGTON — All across East Texas, a professional lobbyist, a crop urgency in his voice, repeated the same message every hour.

"To help President Reagan stop communist expansion in Central America, you need to make one important phone call," he said. "Call your congressman, Jim Chapman, today."

Mr. Chapman, a Democrat, is one of about 75 undecided House members who will cast the decisive votes on Ronald Reagan's request for \$100 million in military and humanitarian aid for the rebels fighting the leftist government of Nicaragua.

The radio commercials, which began Monday, are only a small part of the intensive lobbying campaign that is building toward a climax with the House vote scheduled Thursday. The president's nationally televised speech Sunday night, in which he urged a flood of messages to Congress in support of the aid package, was the kickoff of the final drive by activists on both sides of the dispute.

There is a perception in the House that Mr. Reagan has made recent gains, especially among wavering House Republicans, but Democratic leaders said Monday they continued to maintain a majority against the aid request.

"We're ahead, and there is no perceptible erosion" in the Democrats' estimated margin of 12 to 15 votes against the request, said Thomas S. Foley of Washington. The majority whip, a Republican, said Monday that the aid package was certain to help the administration's cause.

On Tuesday, the chief White House spokesman, Larry Speakes, said, "We believe we will win without changing the legislative package."

If the measure wins House approval, the Senate is scheduled to vote on it by Monday. Both the



Mr. Reagan with Mr. Habib after the Habib trip.

leader of the majority Republicans in the Senate, Bob Dole of Kansas, and Senator Bill Bradley, Democrat of New Jersey, predicted Monday that the measure would pass the Senate.

The president's speech appealed to energetic opponents of the aid. The office of Senator Arlen Specter, Republican of Pennsylvania, had received 773 calls by late Monday in favor of the aid and 673 opposed to it. After the president made a similar nationally televised appeal last month to support his military spending proposals, Mr. Specter received 41 calls, all opposed to higher military spending.

Brian Deiter, an aide to Mr. Chapman, said he could not recall any calls after the military spending speech. But by early Monday afternoon, with the radio commercials playing in his district, Mr. Chapman had received 69 phone

messages urging support of the aid and 34 against it.

Meanwhile, other groups were working on Mr. Chapman and other undecided congressmen. One, Citizens for Reagan, delivered to congressional offices on Monday a large poster showing Nicaragua's president, Daniel Ortega Saavedra, in the company of Libya's leader, Colonel Muammar Qaddafi.

Also Monday, administration officials distributed public opinion polls that they said showed an overwhelming majority of the people in Honduras, Costa Rica, Guatemala and El Salvador support the aid.

The surveys, commissioned by the U.S. Information Service and taken by a Central American affiliate of the Gallup organization, were described as "perfectly accurate" by Philip C. Habib, the president's special envoy to Central America. Mr. Habib met with Mr. Reagan after returning from talks with leaders in the region.

While opponents of the aid package cannot match the resources of the administration and its allies, they are stepping up efforts.

Members of Congress were sent letters Monday signed by eight religious and private humanitarian organizations urging them to reject the humanitarian aid portion of the package, \$30 million of which is \$100 million. The eight said the aid does not meet "the customary test" for humanitarian aid and "misleadingly implies the integrity of bona fide humanitarian aid."

The \$30 million is for food, clothing, shelter, medicine and other items considered to be humanitarian aid. The new president bishop of the Episcopal Church, Edmund Browning, also urged Congress to reject the aid. He cited resolutions adopted by the 31-million-member denomination's convention.

## CIA Is Ready With Plan to Train Rebels Of Nicaragua

By Richard Halloran

New York Times Service

WASHINGTON — If Congress approves the military aid for the Nicaraguan rebels that President Ronald Reagan has requested, the Central Intelligence Agency is ready with a basic plan for providing them with arms and training, according to administration and congressional officials.

The officials said Stinger anti-aircraft missiles would be high on the CIA's list of weapons for the insurgents. The weapons would be shipped through Honduras, the officials said Monday.

They said the shoulder-fired Stingers, which have a range of more than three miles (five kilometers), were needed to protect encampments, ammunition, supplies and vehicles from attack by helicopter gunships. The Nicaraguan government has at least eight Soviet-built Mi-24 gunships armed with rockets, bombs and machine guns, according to the Defense Department.

The \$100 million in aid sought by Mr. Reagan, \$50 million would be used to buy arms, ammunition and other equipment and \$20 million for medical and training, and 16 percent of the land under cultivation in the United States. If the growth rate continues, the CIA estimates it will manage a quarter of the nation's crop by 1991.

Agriculture specialists disagree on how best to help the rebels. Some say the future of American agriculture, but most regard it as a distant goal.

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The training would be in Honduras, where the rebels have bases, and would most likely be conducted by the army's Special Forces. American instructors, better known as Green Berets, would not enter Nicaragua.

A few American officers and senior sergeants would train the rebels in marksmanship and in small-unit tactics such as laying ambushes and attacking guard posts, officials said. They said the rebels would also be trained in using explosives to blow up bridges and power plants.

The officials said that leadership and operational planning would be stressed since the insurgents appeared to have lacked the ability to mount coordinated operations. The Green Berets would also teach what is called civic action, or ways to win political support, the officials said. General John R. Galvin, commander of U.S. forces in Central America, told Congress last week that the ability of the rebels to communicate ideology was "somewhat stunted."

Equipment to be sent would include radios, the officials said. General Galvin said that improved communications were vital to the rebels' operations.

Similarly, the general said, better logistics were necessary for the rebels to sustain operations within Nicaragua. The trucks were therefore included in the CIA list, the officials said.

## Farm Managing Surges in U.S. As Ownership Shifts to Lenders, Overseers Reap Profits

By Keith Schneider

New York Times Service

AMEN, Iowa — The wave of farm failures in the United States has put thousands of failed family farms into the hands of public and private lenders, who are turning them over to farm management companies.

Since 1981, when the agriculture depression began, the number of farms overseen by the nation's 1,000 farm management companies has increased by more than 40 percent, from 78,000 to 110,000, according to AgriFinance magazine, a trade journal.

David Felzer, editor of AgriFinance magazine, estimated that the farm management industry supervised assets worth \$12 billion last year and has earned as much as \$500 million in gross revenues.

Farm management companies now oversee nearly 39 million acres (33.75 million hectares), or 16 percent of the land under cultivation in the United States. If the growth rate continues, the CIA estimates it will manage a quarter of the nation's crop by 1991.

Agriculture specialists disagree on how best to help the rebels. Some say the future of American agriculture, but most regard it as a distant goal. Some say the future of American agriculture, but most regard it as a distant goal.

The management companies are composed of production specialists and marketing analysts. Historically, they have operated farms pri-

marily for retired couples who did not want to sell their land and for those who inherited farms but did not want to manage them.

But public and private lenders who acted through acquisitions and foreclosures, and investors who saw a good opportunity for profit and tax savings, now own thousands of failed family farms. They have turned to management companies to operate or sell the farms, providing the companies with a new market.

Some people argue that management companies are eroding the family farm structure at the most fundamental level.

"The interest of farm managers is not necessarily to sell the land back to farmers, it's to sell the land to investors" who will retain the companies to manage the farms, said the Reverend Dave Osterdorf, director of Prairiefire, a research and farm policy group based in Des Moines.

Osterdorf contends that farm management companies are putting the land into fewer and fewer hands, thus eliminating competition in the food production.

Farm managers say such criticism is unwarranted and unfair. Executives say they are helping thousands of family farmers continue working by leasing them land and helping them adopt the most advanced production techniques to maximize profits.

Moreover, they say, by offering high-income investors a range of opportunities in agriculture, they are attracting billions of dollars to the farm states. They point out, however, that most of the land they sell is still being purchased by farmers.

Thomas A. Hertz, 41, the vice president of Hertz Farm Management, said, "When the history of this period is written, farm managers will be recognized for helping American agriculture change direc-

tions to match what our foreign competitors are doing and to keep this industry from crumbling like the steel industry."

Hertz, based in Nevada, Iowa, is the nation's largest family-owned management company.

Competition for contracts to operate failed farms for lenders is intense, says they manage management companies to seek outside investors to buy farms that they then will continue to manage.

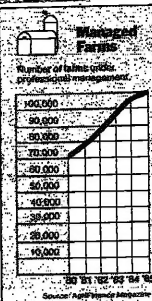
For example, the Farmers Home Administration, a division of the Agriculture Department, has acquired the deeds to a record 3,977 farms and 1.1 million acres worth \$705 million, according to figures released this month.

Economists say the nation's insurance companies, which historically have been major farm lenders, hold the deeds to at least 2,000 farms. Private banks also have acquired thousands of farms.

Not in the flood of farm failures likely to recede soon. The Department of Agriculture has predicted that a quarter of America's 600,000 commercial farmers have such large debts that they are unlikely to survive.

The crisis has provided the farm management industry with so much opportunity that for the first time last January, major corporations began investing in management concerns.

No deal has stirred more attention than the purchase of Farmers National Co. in Omaha, the na-



tion's largest farm management company, for an estimated \$7 million by Metropolitan Life.

The 120-employee concern manages 3,900 farms and more than 1 million acres in nine states. Metropolitan Life holds the deeds to 200 of those farms.

"That purchase showed us just how profitable this industry was," said Mr. Osterdorf of Prairiefire. "Farm management firms often decide what seeds, what chemicals, what equipment a tenant farmer will use on his land. I say look a few years ahead."

"Imagine what would happen if an old company bought Hertz management," he continued. "Old companies now own seed companies, and they make farm chemicals, and they have interests in equipment manufacturers and food processors and distributors."

"They could lock up agriculture from planning to the supermarket."

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## Union Helped Shape Reagan

(Continued from Page 1)

alife. From being an active (though unconscious) partisan in what now and then turned out to be Communist causes, I little by little became disillusioned or perhaps, in my case, I should say awakened.

Martin Anderson, a senior fellow at the Hoover Institution at Stanford University and a former domestic policy adviser at the White House, said.

"What people often don't realize is that he has a very strong personal conviction and ideology, which he pursues independent of public opinion polls. It's something that drove his campaign people to distraction. He's taken a policy position because he thought it was the right thing to do.

"He never looked at a poll," Mr. Anderson said. "He opposed abortion. He opposed further gun control. He opposed the welfare state. He opposed the all-volunteer force and he opposed the peace treaty with Cuba. He made a decision based on what he thought was right."

Mr. Phillips said that Mr. Reagan had displayed a shrewd understanding of public opinion on Latin American issues.

"He judged where public opinion was on the Panama Canal Treaty," he said, "on Grenada, he called it off in El Salvador." Mr. Phillips said, "He's got his core beliefs, but he's also got something of a finger on the way American public psychology eventually goes on hemispheric issues."

## AMERICAN TOPICS



A ROYAL ROAST — James Roosevelt Jr., left, and Joseph P. Kennedy 2d, right, with William Bulger, president of the Massachusetts state senate, and a mock copy of a Boston newspaper. Both Mr. Roosevelt and

Mr. Kennedy are relatives of former U.S. presidents and both are candidates for the U.S. House for the seat once held by Mr. Kennedy's uncle, John F. Kennedy. Mr. Roosevelt is the grandson of Franklin D. Roosevelt.

## U.S. Alters Currency; Greenbacks Stay Green

The federal government announced Tuesday the first substantial design changes in U.S. currency in more than half a century — and just in time, officials contend: sophisticated new copying machines threaten to turn counterfeiting into an impulse buy. The new money will go into circulation in 15 to 18 months.

The Treasury Department considered and rejected switching colors so greenbacks would no longer be green. The actual changes are considered minor enough to be unnoticeable to the casual eye. The new money will go into circulation in 15 to 18 months.

The main change announced is a clear polyester thread woven vertically into the paper. It will be visible when held up to the light but cannot be reproduced by copiers. The other change will be the printing of the words "United

States of America" repeatedly around the portrait in such small type that copiers will not be able to reproduce it.

John A. Farmer, a former Republican congressman from Texas, has contended that the real reason for the change is to find out where people have hidden away large reserves of currency. But the department has insisted that it has no intention of calling in the old currency, which "will remain legal tender as long as it is in circulation" and will circulate "side by side" with the new bills.

## Short Takes

In two Gallup polls rating the quality of the service they are getting, Americans rated supermarkets highest at 55 percent, followed by banks at 52 percent, airlines 47 percent, restaurants 46 percent, hospitals 44 percent and hotels 41 percent. Department stores ranked lowest at 34 percent, followed by insurance companies 34 percent, local government 29 percent, real estate dealers 19 percent and, at the

bottom, public transportation 17 percent. The most common complaints were poor performance, failure to get work done properly, slow and costly service and indifference.

The first country to recognize the United States was Morocco on Dec. 20, 1777, beating France by two months. A friendship treaty between the two governments was signed June 26, 1786, and approved by the Continental Congress on July 18, 1787. With the bicentennial of that treaty fast approaching, Morocco plans to present a monument to stand in Washington. It has yet to be announced what the monument will look like or where in the capital it will be placed.

U.S. banks are failing at a rate unheard of since the Depression of the 1930s, 200 in the past two years alone. In its first 47 years, the Federal Deposit Insurance Corp. closed banks with assets totaling \$9 billion, at a cost to the agency of \$500 million in insurance payments and administrative expenses. Since 1981, the FDIC has shut down banks with more than \$75 billion in assets, at a cost to the agency of almost \$6 billion.

Senator Bob Dole has decided not to accept the resignation of Brent Baier, an aide who told reporters in Mr. Dole's home state of Kansas that a drive through the state had revealed a "wasteland."

Mr. Baier went to the palace for every sack of cement. As a result of such practices and high government sales taxes, the prices of basic items used widely by the poor have long been much higher in Haiti than elsewhere in the Caribbean.

"The cost of all these products was driven up in the expense of the state," said Claude Levy, head of the Haitian Association of Manufacturers, "and then the profits were siphoned off."

One of the new government's first measures was to lower the price of flour, sugar and gasoline by 10 to 15 percent and to start reorganizing the state-owned companies.

The government has formed a seven-member commission to investigate the wealth of the Duvalier family and its associates.

Official said the government needed to know how the money was diverted before it could end the size of the fortune and try to freeze illegitimately obtained assets abroad. U.S. officials have estimated the wealth of the Duvalier family at \$100 million; other estimates range from two to five times that amount.

Although Haitian officials have long had a reputation for corruption, only recently has a picture begun to emerge of how large sums of money could be obtained by the presidential palace and be transferred out of the country secretly.

The president of the central bank said recently that Mr. Duvalier had access to two military accounts at the bank from which he could draw as much as \$1 million a month to spend at his discretion.

The Dominican Republic has said that it paid Mr. Duvalier \$2 million several months ago after

Old Shells Kill 2 in France

Agence France Press  
HONFLEUR, France — Two French men were killed Tuesday when a World War II shell that had been lying in the sea for 40 years exploded after a fishing trawler pulled it up. They were trying to unload it in this port in Normandy.

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## INSIGHTS

## After the Loss of Challenger, America Reassesses Its Future in Space

The shuttle was the most visible symbol of U.S. technological leadership. Now NASA is being forced to redefine goals.

By John Noble Wilford

New York Times Service

CAPE CANAVERAL, Florida — The warm winds of March sweep the empty launch pads at Cape Canaveral. It is a forlorn scene, like a seaside resort in the off-season, where the shuttle will return any time soon.

What is left of the space shuttle Challenger, which exploded after liftoff on Jan. 28, lies submerged offshore and in twisted fragments on the floor of a huge hangar at Florida's Kennedy Space Center. No shuttle, not much of anything, will be taking off for months, perhaps not for a year or two.

More than the Challenger exploded in the blue sky over the Atlantic Ocean. The space shuttle was the most visible symbol of American leadership in space technology. Its successes seemed to affirm our faith in the National Aeronautics and Space Administration to transport us safely and efficiently to a new frontier of human aspirations.

Now, suddenly, after an investment of \$30 billion and 14 years, in the reverberating shock of failure, we are left full of doubts not only about the shuttle and NASA's failed competence, but about the very fundamentals of our national space policy.

In these bleak, uncertain times for the American space program, the current inactivity at Canaveral becomes all the more painful, even a little embarrassing, in light of recent developments in the Soviet Union, Western Europe and Japan. Any assessment of the magnitude of the shuttle disaster must take into account the following:

• The world's scientists gather this month not in Pasadena or Houston, but in Moscow and Darmstadt, West Germany, to receive the first close-up images of Halley's comet. Two Soviet spacecraft, Vega-1 and Vega-2, make the first encounter with the comet, followed by the European Space Agency's Giotto craft and two smaller Japanese probes.

American scientists have instruments aboard the Soviet craft, and American satellites are helping to track the robot travelers, but this is hardly the leading role that has come to be expected of American science in the realm of interplanetary exploration. Money for an ambitious U.S. Halley's mission was diverted to meet shuttle development costs.

• On Feb. 20, the Soviet Union took another big step in its drive to establish a permanent human presence in space. A new-generation space station, named Sali, for "peace," was launched into orbit to serve as the core facility in a proposed complex containing living quarters and a variety of research, manufacturing and observation stations.

By contrast, the United States is just starting its own space-station project, scheduled to be deployed in the mid-1990s.

• On Feb. 21, the European Space Agency launched another of its Ariane rockets, sending two satellites into orbit without a hitch. Compared with the reusable shuttle, the Ariane represents old-fashioned technology. It is an expendable launch vehicle, or ELV, a rocket built to be used only once to boost a payload into orbit; the shuttle, according to their most optimistic proponents, were supposed to cost less than \$10 million each.

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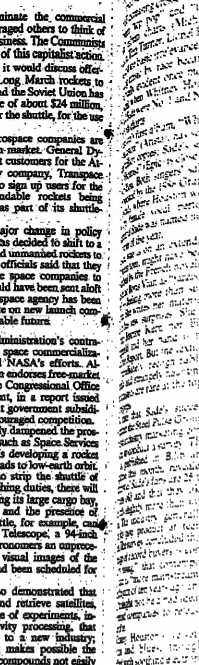
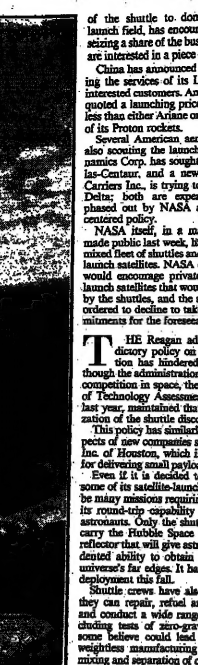
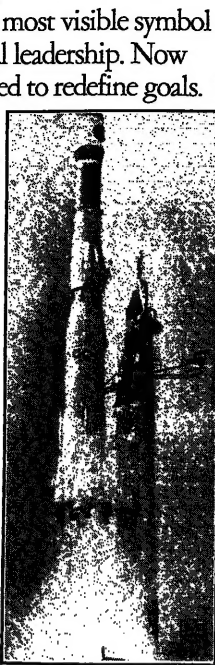
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## Price of Isolation Of Foreign Firms Is Often Failure

By Gregory Clark

TOKYO—Anyone interested in the problems of doing business in Japan could do a lot worse than study the problems faced by foreign banks here. At last count, 68 banks had put out their name plates, including almost every major Western bank. But less than a third were making profits. And what profits were being made totaled less than those of one small regional Japanese bank.

Some see this sad performance as due to yet another round of Japanese obstructionism. And it is true that the authorities have at times moved with glacial speed in lifting traditional barriers to foreign banking. But this is only part of the problem. Most of the blame lies with the foreign banks themselves. Lacking knowledge of Japan and competing furiously for what business is available, they make mistakes even amateurs would be ashamed of.

Take the problem of bad debts. When a large Japanese firm goes bankrupt in rather scandalous circumstances, one of the first details to appear in the financial press here is a list of banks caught with large outstanding loans. Almost invariably, there will be half a dozen or so foreign banks included, most of them world leaders.

Before long, the sorry story emerges. Among the Japanese banks, the weaknesses of the firm concerned have long been an open secret. So, as the Japanese quietly withdraw their own loans, they try to have them replaced with new loans from foreign banks. Desperate for new business in Japan, the representatives of the foreign banks rise to the bait. And at the end of the financial year, the foreigners sadly write off yet another \$10 million or so in unrecoverable debt.

How do the best and brightest of the world's financial community manage to be duped so easily when they go to Japan? Ask the people involved and they will mutter darkly about the untrustworthiness of the Japanese financiers who enticed them into making the bad loans. But the main reason is simple: plain ignorance of what is going on in Japan. And here it is not just the foreign bankers who are guilty.

Of the thousand or so large foreign offices and ventures in Japan, less than 10 percent are headed by people who know Japan and speak Japanese. Almost half do not have a single foreigner on their staff who can cope with the language. They rely entirely on Japanese staff and interpret to tell them what is going on. When that fails, they rely on their own untutored intuitions.

Not surprisingly, they make mistakes, expensive mistakes. The foreigners are also expensive to their companies in other ways. Lacking the language or local knowledge, they insist that they and their families should live in the isolated foreign ghettos of Tokyo's luxury residential districts, where land prices of over \$10,000 a square meter are not uncommon.

One estimate puts the average cost of maintaining a foreign executive and his family in Tokyo at well over \$500,000 a year. And that is before payment of salary.

Small wonder, therefore, that few foreign firms manage to do well in Japan. True, the Japanese often do not make it easy for them to do well. Pettyfoggish restrictions remain in many fields, although they usually apply just as severely to Japanese firms as they do to foreigners. And no one, Japanese or foreign, enjoys the rudeness with which Japanese firms compete for business. Dog eat dog, and often without too many scruples.

When Sony invented the Walkman, it took less than a year for a

(Continued on Page 14)



Young Tokyo students stop by one of the 530 McDonald outlets in Japan that sell quick snacks and soft drinks. The U.S. firm, with Japanese management, succeeded in adapting to Japan's cultural requirements and hopes to open 70 more outlets this year. Page 15.

## Scotch Competes With Taxes

How High-Quality Liquor Is Priced Out of the Mass Market

TOKYO—On the grocery shelves of Japan, Scotch whisky is lined up against such Japanese rivals as No. 1, Cobra, Rawhide and Moo.

For all of their world-famous brand names, the Scotch producers complain that they cannot match such competition because of what they say is a tax system that artificially encourages sales of lower-quality liquor.

"They've brainwashed the whole nation into drinking this slop," spluttered a representative of one Scotch brand about his Japanese competitors.

Now, the European Community has adopted the cause of the Scotch industry as well as other liquors and wines as a priority for trade talks with Japan this year. The United States, eager to increase sales of wine to Japan, also has shown interest recently in making alcoholic beverages a focus for negotiations.

"This is an unusually clear case" of Japanese discrimination against foreign products, said Hugh Richardson, an EC trade specialist in Tokyo. As the sponsor of the next round of talks under the General Agreement on Tariffs and Trade and a big beneficiary of international trade, he asserted, Japan cannot justify protecting local industry "that is neither traditional nor competitive, nor strategic."

The importers are in full cry. "Here we have a clear example of an industry where we are much stronger than Japan and we're not allowed to use that strength," said Richard Cole, a marketing executive at Calbed Corp., which imports Johnnie Walker Scotch whisky and other beverages in Japan.

The Japanese government is studying the issue of liquor taxation but has not conceded the foreigners' argument.

(Continued on Page 16)

## Trade Imbalances Continuing Despite Rising Value of Yen

By Bob Hagerty

TOKYO—Even on wintry evenings, young Japanese line up outside the local branch of Hobson's to spend the equivalent of \$2 or more for a dab of American for cream.

Mitsubishi Ltd., a Japanese department store operator, reports that last year it sold more than 50,000 plastic bags carrying the logo of London's Harrods department store, and a manager at a Japanese supermarket chain eagerly shows a visiting journalist in-makes for French costume jewelry as proof of a willingness to import.

The Japanese can well afford such minor indulgences. The 35-percent rise of the yen against the dollar in the past six months has made imports much cheaper while forcing up the prices of many Japanese exports. At the same time, foreign trade officials say last year's "action program" to encourage imports, if fully put into effect, will provide at least moderate help in the long term.

Yet for all the noisy import-promotion measures of the past year, Japan has not bought respite from international indignation over its still-swelling trade surpluses.

Only after a long lag can the stronger yen be expected to begin reducing the surpluses. "The payoff in terms of the published trade numbers won't begin to show up until the end of this year and won't show up in a big way until 1987," said C. Fred Bergsten, director of the Institute for International Economics in Washington.

That, Japan's trade surpluses—about \$30 billion with the United States and \$20 billion with the European Community last year—probably will grow further in 1986 before starting to shrink in 1987, assuming that the yen remains strong, economists say.

Mr. Bergsten estimated that, if the yen stabilizes at around its current level, Japan's annual surplus with the United States would fall \$20 billion within the next two years.

Others are skeptical, arguing that Japanese exporters will accept lower profit margins rather than smaller market shares and that Japan's imports will not rise sharply. "I wonder if there's going to be a big change," said Clyde Prestowitz, a top trade negotiator for the U.S. Commerce Department.

Many Japanese, too, are cautious about chances for exporting foreign. Finance Minister Noboru Takeuchi said in an interview that Japan needs to open up its market to foreign goods "reluctantly," but added: "The problem is that there are few things Japanese consumers want to buy to far."

Shiro Shibuya, chairman of Mitsubishi Europe SA, said: "We will try to import more, as much as possible,

but it will not go so quickly." How, he asked, can Japanese be expected to squeeze many more goods into their notoriously small homes?

The question is whether Japan's imports will grow fast enough to prevent the United States and Europe from creating more trade barriers and choking the international trade system that has built Japan into the second-biggest economy in the non-Communist world.

Although the U.S. Congress has been distracted from trade by other issues lately, "I wouldn't take anything for granted," said Mike Mansfield, the U.S. ambassador in Tokyo and a former senator. This spring, Congress is due to consider a fresh series of protectionist legislation, and pressure is expected to build with the approach of congressional elections in November.

The European Community also is preparing to retaliate unless Japanese imports grow, possibly by renewing a general unfair-trade complaint against

Only after a long lag can the stronger yen be expected to begin reducing the surpluses.

Japan under the General Agreement on Tariffs and Trade and refusing to make concessions at forthcoming trade talks.

"We must continue to exert pressure, not to isolate Japan but to integrate Japan" more closely into the economies of its trading partners, said Laurens Jan Brinkhorst, head of the EC's delegation in Tokyo. One way to do that, he said, is to form more joint ventures between European and Japanese concerns.

Britain's trade minister, Alan Clark, was less diplomatic in a speech last week. "The time for vague statements and promises has passed. Britain and, I am sure, our community partners will be looking for results, and looking for them soon."

If Japanese imports fail to grow rapidly, it will not be for lack of exhortation from Prime Minister Yasuhiro Nakasone. In announcing last July's "action program," the seventh market-opening drive in four years, he declared: "I feel the need for a reformation of the Japanese people's minds to enable each consumer to act upon his own choice and responsibility and to more positively accept foreign products."

At evidence of their seriousness, Japanese officials offer a mind-numbing barrage of numbers. The action

(Continued on Next Page)

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## A SPECIAL REPORT ON JAPAN

## Continued Slow Economic Growth Forecast

By Bob Hagerty

TOKYO — Japan's economy is likely to remain sluggish for at least the next six months or so, disappointing foreigners' hopes for a boom in imports, economists here say.

The Japanese government thus could well be in an uncomfortable position when it hosts the economic summit meeting of major industrial countries in May. Both the United States and Europe want Japan's economy to grow faster and pull in more imports.

Officially, Japanese officials are clinging to their forecast that real gross national product, the nation's total value of goods and services adjusted for inflation, will grow 4 percent in fiscal 1986, beginning April 1, about the same as fiscal 1985's rate.

But most private economists predict fiscal 1986 growth of 3 percent or less, torpid by Japanese standards and the lowest since 1975. The government hopes falling interest rates and oil prices will enliven the economy. Some private economists also think these bene-

political discontent at home and protectionism abroad.

"The question is really whether we can increase our imports," said Nobumitsu Kagami, managing director of Nomura Investment Management Co. Japan, Mr. Kagami argued, has

Economic forecasting in Japan has been complicated by two jolts in recent months: the leap of the yen to its highest level against the dollar since 1978 and the drop of prices 50 percent in spot oil prices. In an economy so dependent on

and ultimately prosper at the current yen-dollar rate, but they are unanimous in judging that the rise was too quick for comfort.

For most of the big exporters, the strong yen means a squeeze on overseas profit margins after several years of fat profits on booming sales to the United States. The smaller and weaker exporters of low-value items, such as tableware, toys and textiles, are struggling to survive as they are priced out of export markets and faced with fierce import competition at home from producers in South Korea and Taiwan.

"Of course, the weaker industries will be forced into bankruptcy or to change their line of business," Noboru Takashita, Japan's finance minister, said in an interview.

The plunge in export profits is depressing the whole economy in

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fits, coupled with economic strength in the United States and Europe, will be enough to pull the economy out of its slowdown late in 1986.

Others, less optimistic about growth prospects overseas, say that the government eventually will have to pump up the economy with more public spending — or face

reached the point where exports cannot continue to grow unless imports do so as well. Continued reliance on export-led growth would bring either a further surge in the yen's value, pricing Japanese goods out of foreign markets, or a rush by the United States and Europe to block Japanese goods with new trade barriers.

foreign trade, such external dependence matter deeply. It is not merely for ornamentation that an electronic sign outside the office of Keidanren, the Japanese business federation, flashes minute-by-minute changes in the yen-dollar rate.

Japanese economists generally say that the economy can adjust

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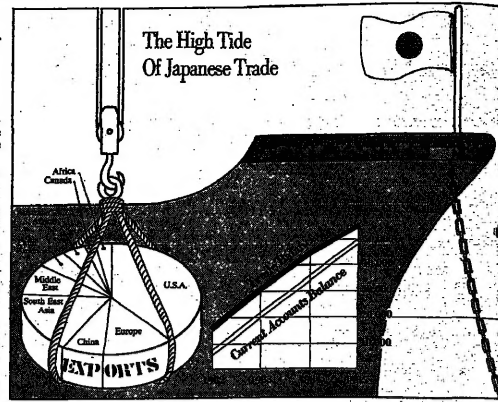
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the short term, as exporters cut their spending and writing lower prices from their subcontractors. But Mr. Takashita and others note that Japan will soon begin to feel the benefits of a strong currency: lower raw material costs in yen terms. The effect will be particularly pronounced on imported oil, which is growing cheaper anyway.

Last week, the government forecast that the effect of a stronger yen and cheaper oil would about double the combined profits of Japan's nine electric power companies in the next 12 months.

To give the economy a nudge, the government is expected to insist that the power companies use the savings both to reduce charges to customers and to increase investment.

These measures are likely to be featured in a package of economic measures expected to be announced next month, just in time to show the summit partners that Japan is serious about boosting growth.

The April package also is expected to include a spending up of government spending on public works projects and perhaps another cut in the discount rate, the fee the central bank charges on loans to commercial banks.

But Mr. Takashita, the finance minister, who is strongly committed to reducing Japan's budget deficit, warned that the economic package would contain no "drastic" measures.

Expectations already are low, especially because last October's economic-stimulus package had little effect on growth. "If we have to be disappointed again, perhaps we should not expect much," said Akihiro Kikuchi, chief economist at Daiwa Securities Co.

Despite the government's tight-fisted spending policy, Mr. Kikuchi predicts that the economy will pick up strongly in calendar 1987, showing growth of 6 percent or so.

If the economy shows no signs of recovery by next autumn, however, many economists say the government will have to announce a much more potent program of stimulus to prevent a rise in unemployment from the current 2.7 percent and a new burst of indignation from abroad.

If the U.S. economy weakens further, the United States and Europe would be all the more eager for Japan to compensate by refueling its economy, observed Hideo Kusunoki, president of the Japan Economic Research Center. Japan's trade surplus "is too big to be impossible to reject" such pressure, he said.

## Trade: Imbalances Are Continuing

(Continued From Previous Page)

program contained 88 measures aimed at simplifying import procedures and reduced or eliminated tariffs on 1,853 items.

Last summer, 2,000 import firms took place, and at the government's prodding, 134 large companies agreed to increase their imports by 27.4 billion in the year ending March 31.

Among the elements of the program considered most significant were provisions to let foreigners take part in standards-setting committees for certain products, a valuable source of information. Foreigners also won the right to be represented on some industry groups that advise the government, but they remain excluded from others.

As usual, the foreigners are unsatisfied. Ambassador Mansfield noted in a recent speech that, despite the prime minister's pledge, Japanese imports of U.S. manufactured goods rose less than 2 percent last year. "It reminds me of an old Asian expression, 'Much thunder and little rain,'" Mr. Mansfield commented.

So foreigners continue to thunder about remaining barriers to trade with Japan. Among the more contentious items are:

• High tariffs and other barriers continue to protect Japanese producers in some areas where foreign suppliers are particularly strong, such as wine, liquor, cigarettes, fruit and processed foods.

• Despite Mr. Nakasone's promises, some foreign trade officials

say there is little sign that Japanese government agencies are becoming much more receptive to imports in their procurement practices. A U.S. official based in Tokyo said bureaucrats often thwart the free-trade principles announced by their ministers.

• Japan and the United States remain at odds over U.S. charges that Japanese companies are exporting semiconductors at unfairly low prices, although there have been progress in negotiations on the issue.

Beyond the specific grumbles are intangibles that foreigners often cite as barriers to imports. "We would like them to be a little less Japanese," as one European trade official put it, only half in jest.

For instance, many Japan watchers say that long-standing personal and business ties count for more in Japan than they do elsewhere. Mr. Mansfield of the U.S. Commerce Department said a Japanese automaker, upon receiving an attractive offer from a foreign parts supplier, persuaded his traditional Japanese supplier to match the offer rather than starting a new relationship.

Another foreign complaint is that Japan has preserved a highly complex system of distributing consumer products through numerous middlemen to a plethora of tiny shops. Foreign companies say small shops are much harder to penetrate than supermarkets, whose location and number are restricted in Japan to protect the small shopkeepers.

Japanese officials concede that their distribution system is inefficient, but they defend it as a means of providing jobs and keeping Japan's unemployment rate below 3 percent.

Nonetheless, in response to foreign pressure, Japan is at last studying the question of whether it can make its economy less export-oriented and more hospitable to imports. The Study Group on Economic Structural Adjustment for International Harmony, headed by Haruo Masukawa, a former governor of the Bank of Japan, is due to report by early April.

But any structural changes are likely to be gradual. Meanwhile, Japanese officials have some advice for foreign businessmen: Try harder.

Michio Watanabe, minister of international trade and industry, said in an interview that more foreign businessmen should study the Japanese market closely, adapt their products for local requirements and learn to speak Japanese.

Too many foreign companies believe that a product that sells well at home ought to do well in Japan without any adaptation, said Hiroshi Kobayashi, general manager of the overseas department at Dai-ichi, a big operator of supermarkets, where imports accounted for about 4.5 percent of total sales last year.

James C. Abeggie, a prominent American consultant in Tokyo, is more scathing in dismissing U.S. companies that expect big profits to flow quickly from efforts to enter Japan. "It's almost a colonial

attitude to refer to the activity of entering a market as a 'colonial' effort," he said.

Mr. Abeggie said that the Japanese market is not a "colonial" market, but a "competitive" market. He said that the Japanese market is a "competitive" market, but a "colonial" market.

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## A SPECIAL REPORT ON JAPAN

## Some Foreign Firms Too Busy Making Profits to Complain

By Kenichi Ohmura

TOKYO — Trade discussions normally do not refer to the activities of multinational corporations. For example, there are 1,000 U.S.-affiliated companies operating in Japan. Of these, the top 200 most successful American corporations produced and sold more than \$44 billion of goods in 1984 and close to \$50 billion in 1985, an amount equal to the widely publicized U.S. trade deficit with Japan.

European multinationals also produced billions of dollars of goods in Japan in 1984. The Swiss have long enjoyed a trade surplus with Japan as well as impressive direct production and sales in Japan, amounting to \$2 billion annually.

The U.S. multinational's strong and visible presence in Japan indicates that American corporations are well established here; in fact, they have achieved a market penetration level equivalent to a \$600-per-capita purchase of American goods. The problem is that nearly 60 percent of this amount is produced locally, and only 40 percent is exported out of the United States.

Of the American companies, IBM is the most successful. IBM's wholly owned subsidiary, Nippon IBM, boasts an annual turnover of approximately \$3 billion, with 17,000 employees. Nippon IBM is the distinction of being ranked the most attractive potential employer in a survey of senior-class engineering students at top-ranked universities in Japan.

In the same computer and communications industry, several other foreign companies maintain a powerful presence, including Nippon NCR, which is particularly strong in banking and retail systems, and Yokogawa-Hewlett-Packard (75 percent owned by Hewlett-Packard), which is well established in process control and instrumentation. Both AMP and Molex enjoy a high share of the connector market, with a return on sales that is the envy of Japanese competitors.

Texas Instruments, which earlier outperformed Japanese semiconductor houses in bipolar chip production, now concentrates heavily on MOS memories in their plants in Japan. They are reported to have produced more than \$600 million worth of goods in 1985, over 15 percent of which was exported out of Japan.

There are many success stories of

foreign companies in the consumer packaged goods industry. However, very few of these companies export their goods out of the United States. In fact, most successful foreign companies produce their goods in Japan either directly or in joint ventures with Japanese partners. Among the top brands in Japan are such foreign names as Schick, Gillette, Kleenex, Scottie, Vicks, Wella, Del Monte, Coca-Cola and Nestlé.

Coca-Cola is a good example of a true "insider" company which tailors most of its products to Japanese consumers. Unfortunately, since it imports only soft-drink concentrates from the United States, and since most of its \$3-billion retail sales are through regional bottlers, its activities are not helpful to the Japan-U.S. trade deficit problem. Japanese consumers like novelty and "foreignness." Several years ago, Tokyoites flocked to "31 Flavors"

2,300 franchises and a \$2-billion turnover.

Such success stories, while visible and numerous in Japan, do not receive wide publicity overseas. The most frequently quoted reason for this is that these companies lack incentives for publicizing their triumphs, since doing so would only stimulate competitors to follow suit. Also, unions back home might protest that their jobs were being shipped overseas.

In the meantime, successful companies visit Washington or Brussels, whichever their political hub may be, and register their complaints with politicians. The politicians' interest is to protect the minority, or so it seems. Governmental trade negotiations are always complicated because negotiators represent the minority interest and yet they make it appear as though they are representing the country as a whole.

Governmental negotiators and the U.S. Congress display a genius when it comes to handling the press and drumming up support for something that is not in the majority interest. In the process, the silent majorities of the United States and Japan have become rather "nationality-less," and this is the problem underlying the entire trade imbalance phenomenon. The imbalance is fundamentally caused by two factors: (1) Both the American and the Japanese public voraciously consume goods regardless of their origin, and (2) the Japanese public demands goods tailor-made to its taste, thus stimulating American corporations to shift their production sites to Japan.

In both countries, then, this means that the silent majority is driving the fundamental flow of goods and the location of production, while the noisy minority is forcing the governments to halt the natural flow of goods. If the majority could talk to each other, they would be amazed at how well their interests match and how far they have been misled.

When there are \$50 billion of American goods produced and consumed in Japan, without taking into account licensing activities and service industries, it seems clear that the American challenge lies in learning how to lure these corporations back home. Encouraging them to produce in and export out of the United States would create jobs at home, ease the trade imbalance and, in the long run, be far more constructive and effective than pushing the Japanese for increased market access.



Tokyo's Takashimaya department store displays European goods to counter accusations of protectionism.

## Debate on Spending vs. Personal Savings Goes On

By Bill Emmott

TOKYO — Everyone in the West, it seems, is telling Japan that its people should save less and spend more, preferably, of course, on foreign goods and services.

In January 1986, Japan's finance minister, Noboru Takashita, visited London for a meeting of finance ministers of the Group of Five (Britain, the United States, West Germany, France and Japan) and surprised reporters by saying that he was thinking of doing just that: changing Japan's tax system to stop encouraging savings. Japan's Finance Ministry has instructed an advisory council to come up with recommendations for wide-ranging tax reforms, to be implemented in 1987-1988. The council is said to be considering the reduction of incentives for savings as one of its main proposals.

Yet Japan's high rate of personal savings has been widely praised as one of the ingredients of its economic success. So is everybody simply telling Japan to stop being successful and to follow Western countries' bad policies instead?

Partly, yes. But there is also a respectable argument that Japan no longer needs such high savings. Last year, Japanese households saved, on average, 17.5 percent of their disposable income compared with 4.2 percent in the United States and 12 percent in Britain.

There is nothing wrong with high personal savings as such. In Japan, however, they coincide with several other factors to produce a huge surplus of funds — 700 trillion yen (\$3.5 trillion), according to the Japanese business magazine Toyo Keizai. The other factors include reduced investment by industry, high company profits earned from exports and successful government efforts to cut Japan's budget deficit.

Part of that resulting surplus of funds has tended to be invested abroad for want of profitable investment openings at home. For three years, Japan's huge capital outflow (more than \$65 billion in 1985) kept the yen weak and so made Japan's exports more and more competitive while the strong dollar priced foreign imports out of Japanese markets.

This contributed strongly to the surplus on the current account of Japan's balance of payments last year of \$50 billion. These big overseas investments may have helped American stockbrokers and investment banks to sell dollar bonds to Japanese investors, but more spending on goods in Japan instead might have helped foreign importers sell more.

The fact that the yen has risen by 35 percent against the dollar since early September, thanks to concerted intervention by the Group of Five, may have made the argument that high Japanese savings depress the yen. But proponents of lower savings argue that the yen's rise could prove temporary

if the funds surplus remains. And they say that if the Japanese could be encouraged to spend more at home, this would accelerate the correction of Japan's trade surplus.

So the policy conclusion favored by Western officials and, it seems, Mr. Takashita is that something must be done to mop up part of that surplus of funds. One way is to encourage more industrial investment, for instance by tax credits or by big public projects that involve private firms. Another would be to increase the government's deficit, but the Finance Ministry thinks that would be imprudent. Finally, ways can be found to reduce personal savings and encourage consumption.

Why do the Japanese save so much? They have not always been so thrifty. Postwar savings reached a peak in 1975, when households saved 25 percent of income. At that time,

(\$17,000) and on some other special deposits geared, for instance, toward housing.

Furthermore, 30 percent of Japan's personal deposits are in its big Postal Savings Bank, which has 22,000 branches. This is because the Japanese taxman has limited access to information about postal savings accounts. It is easy to hold more than one account at the postal bank, often under false names.

There are more than 600 million accounts at the postal bank, or five for every man, woman and child in Japan. This system has thus continued in massive tax evasion. Ordinary commercial banks find it hard to compete with the postal bank, which is allowed to offer slightly higher rates of interest.

This is why an official of a big Japanese bank, who asked not to be named, described the postal bank as "the cancer on the Japanese financial system."

At the same time, Japan has few of the tax breaks for purchases of housing and consumer durables that U.S. citizens enjoy.

Crudely, it could be said that Japanese invest more in financial assets, Americans in physical ones. Akio Mikuni, an independent financial analyst who favors tax reform, reckons that tax-free personal deposits in Japan total more than \$800 billion.

On the other hand, Japan taxes income heavily. Earnings of \$80,000 a year encounter marginal tax rates of 70 percent and above. This is a drag on incentives and consumption, but the Finance Ministry says it cannot be lowered because there is no alternative source of revenue.

Enter the savings-cutters. Mr. Mikuni argues that the way to cut Japan's funds surplus and boost consumption would be to reduce the tax exemption on savings interest and to crack down on tax evasion through the postal bank.

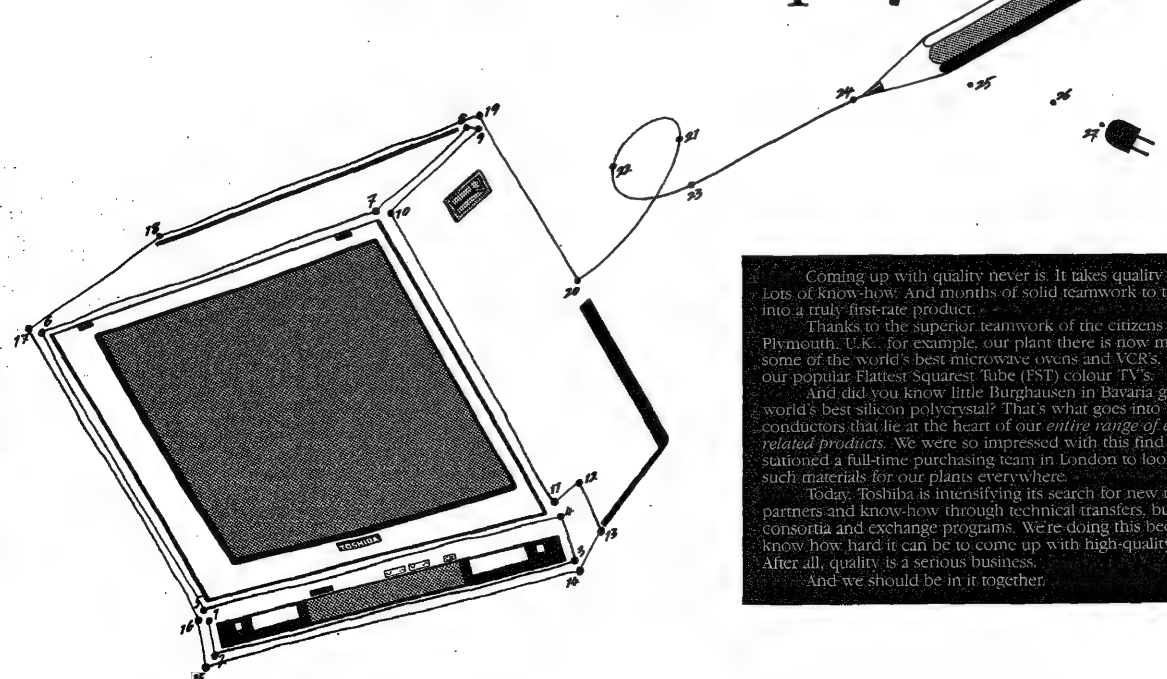
The revenue thus raised could be used to cut personal income tax. That would encourage workers to spend more.

It sounds simple. It won't be, because there is a powerful political lobby in favor of tax-free deposits. Local branches of the postal bank often help politicians of the ruling Liberal Democratic Party organize their election campaigns.

The battle will be fought inside the Finance Ministry's advisory council during the coming six months. Lowering income tax would at least make the savings changes politically palatable.

Would it boost imports and remedy Japan's trade imbalance? Not on its own. But of every extra 100 yen a Japanese spends rather than saves, part, at least, will go on imported goods and services.

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Nissan automobiles at the Zama plant await shipment to Europe and the United States by sea.

the market," with the value of the dollar down 30 percent compared with the yen over the last five years. "It is not clear that Japanese corporations can no longer support their North American operations," he says.

His company went to its major customers, such as General Motors, with a buyout offer.

The Usio company had been prime manufacturers of automotive auxiliary lighting such as fog lamps and marker lights for 20 years in operation. "They are a tough competitor. They know how to build quality products," Mr. Goto says.

The U.S. industry has threatened government negotiations had so-called "voluntary" export restraints only to see its hopes dashed. In 1980, the industry thought it had a commitment from Japan to buy 100,000 cars in 1981 with yearly increases to follow.

But after the Reagan administration took office, Japan limited its auto sales in the United States, the U.S. trade council said on its pledge.

Representatives and U.S. trade officials said.

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## A SPECIAL REPORT ON JAPAN

## Individualism Dominating Buying Trends

By Christine Chapman

**TOKYO** — The Japanese consumer today is a serious buyer of specialized products that identify him as an individual with a purpose. He is looking for quality at fair prices and searching for no way to express himself. He no longer buys to keep up with the neighbors but to differ from them.

Japanese buying habits mirror their ideal of themselves — high-tech, sophisticated, avid sportsman, earnest career woman, fashionable housewife, popular student. There are groups within groups in Japan and one can no longer speak of selling to the masses, the mass of people.

Instead, the appeal is to the *burai*, the fragmented mass, as Masao Fujiwara, the editor of English publications at the Hakuhodo Institute of Life and Living (HILL), defines the terms. The fragmenting of Japan is becoming a social reality, which poses problems in the marketplace.

Bunshi, coined by HILL to describe the changes in consumerism, was first proposed in the creative term of 1985 in the yearbook "Gen-dai Yogen Kiso Chishiki" or "A Fundamental Knowledge of Current Words." It was the basis concept of a book written by HILL, a research agency of Hakuhodo, Inc., a top advertising firm, titled "The Birth of the Fragmented Masses."

Bunshi suggests that Japanese behavior, traditionally group-oriented, is now determined by the special interests of groups.

"Japan is a consumer society like the West," Mrs. Fujiwara said, "with a difference. Japanese derive their identity from the small groups they belong to. They aren't striving to be like their neighbors anymore as they did in the days of mass consumption when they wanted to get what others had."

From the early 1960s through the mid-1970s, the goals of the mass consumer society were based on the American way of life, she said, when affluence meant "a refrigerator loaded with food and a television set tuned to a ball game." In Japan, it was the consumer era of the "Three Cs" — car, color television, air conditioner.

Japan's increasing wealth was reflected in its insistence on talking basic comforts for granted and enjoying a little consumer frivolity. "My home-my car-my family" became code words in the 1970s for owning a house or a condominium in the suburbs, and perhaps an automobile. Miniature became a national fad; supermarkets and sophisticated shopping plazas sprang up on former farm land. The "Walkman Society" was, and is, in

full swing, despite the oil crises of the 1970s and the subsequent economic downturn.

The satisfaction of the Japanese is spelled out annually in statistics from the prime minister's office that place almost 90 percent of the population in the middle class.

In recent years, however, the makeup of this vast class has been reassessed. Its fragmentation into groups and subgroups is the subject of serious research studies, such as "The Birth of the Fragmented Masses," and pointed parody, such as "Kikendai" and "Kikendai II," or "The Money Spirit Book," caricatures of Japanese urban professionals and their rise to riches.

Three recent studies on Japan as a consumer society, written by the

not a great deal of effort made to suit the Japanese consumer."

Understanding the diversity of consumers and appreciating Japan's respect for practicality, convenience and trustworthiness is the current marketing key. There remains an interest in status-symbol buying, but it varies for different segments of society. Although sales of imported cars are declining, the status car is West Germany's BMW. It is seen "as a kind of exclusive, non-mass-produced merchandise," according to the managing director of BMW, Leuder Pym.

Fashion-conscious young women choose Chanel or Revlon makeup, a suit by Giorgio Armani, shoes by Bruno Magli, a sweater by BIGI, a trendy Tokyo brand.

Many people call me a "brand girl," remarked a female student, "but I don't understand why. I use brand-name products simply because they are the ones I happen to prefer."

The brands, both domestic and foreign, appeal to people who want to stand apart, just slightly, from the group. As a salesclerk in a western Japan department store said of Clinique, an expensive but popular American line of cosmetics: "We are aiming at discriminating shoppers, not bargain hunters."

Reporting on the changing market in a column called "Business Nippon," the Asahi Evening News includes the continued demand for high-technology products like video tape recorders and personal computers.

It also shows a trend toward ease and convenience. In supermarkets, frozen and precooked foods are becoming more popular as well as soybean milk, because it allegedly aids health and beauty, and Lady Borden ice cream, which is considered a high-grade product, is steadily dropping. Village Data in the job-counsel section. Supermarket chains offer their equivalent of brand-name products at prices 10 percent to 20 percent lower.

Among the best-selling products of 1985 were a single-lens reflex camera with automatic focus, an 8mm video camera, compact discs, with the price down to around \$200, a liquid crystal pocket color television and telephone charge

cards of which 50 million were sold in 1985.

"Japanese want more tailor-made services and goods," said Mrs. Fujiwara. "Japan ranks second after Sweden and before the United States in its percentage of service consumption."

"There is no consumer resistance to imported products," she added. But there is resistance to the usual higher prices and, in the case of clothes and electronics, a lack of adaptability to Japanese standards. A common lament is that "clothes don't fit well, parts take too long to arrive and follow-up service is uncertain."

In a November editorial in the Japan Economic Journal, titled "Expensive Foreign Goods," the advice was to "abandon marketing tactics that capitalize on the consumer's 'import worship syndrome.'"

The high price of foreign goods like whiskeys and men's clothes is prohibitive unless the customer is returning from an overseas trip with duty-free liquor and new

What the emerging individual consumer wants to buy to distinguish him from his fellows is unique. In this individualistic society, "waka-holic" has become a dirty word. There is a yearning for leisure and travel, no longer restricted to students or the retired. The desire for a private life brings with it a willingness to spend more money on travel, sporting gear, notably the admired foreign brands, restaurants and gourmet foods.

The pursuit of happiness in Japan, as in the West, is, in part, being able to buy the dream.



Kyoto school for boys: At a private school, students flanked by computers under training designed to revive spiritual and physical aspects of development, according to Issa Kawashima, the school's founder and professor.

## Price of Isolation For Firms: Failure

(Continued From Page 9)

doors rival models to hit the market. One was called Walky and another was called Talkman. For all that, the foreigner who knows and studies the dynamic Japanese market also has some important advantages. He does not have to be fettered by the inefficient distribution system. Several foreign firms have beaten strong Japanese rivals simply because they, unlike the Japanese firms, could sell direct to the consumer.

The foreigner also has the advantage of a fresh eye. Surprising as it may seem to those overseas by the efficiency of Japan's export machine, there are large areas of the domestic economy that remain unbelievably backward.

McDonald's made a small fortune with the hamburger business, not because the Japanese wanted to eat meat between layers of buns but because one of the reasons Japanese were happy to eat in stand-up bars, coin laundries, car washes, supermarkets and a host of other service-industry innovations that are taken for granted in the West have brought large profits to those who have introduced them in Japan. Foreigners could have made much of those profits if they had been faster off the mark.

Many foreigners are deterred by what they see as the insularity of the Japanese. It is hard to sell exports in Japan, they argue, it will

be even harder to set up operations employing Japanese in the heart of "Japan Incorporated."

If anything, however, the reverse is true. The Japanese who are often reluctant to do business with distant foreign suppliers are quite happy to deal with foreigners who they feel have made a serious commitment to the Japanese market.

Sometimes, the foreign name and image can even be an advantage. And Japanese employees, once they feel a commitment from their employer, will work with exactly the same dedication and loyalty they show to Japanese employers.

It goes without saying, of course, that for anyone who plans to operate in Japan the selection of employees is all-important. On to put another way, one mistake can be fatal in a society where staff members cannot be easily dismissed and where the foreigners in any case, is usually the last to realize what mistakes are being made in his name.

One of the larger problems some foreign banks and offices in Japan face is the dearth of an in-depth staff recruited back in the years when foreign representatives took a much more patronizing attitude to doing business in Japan. This means, of course, that it is even more important for foreign firms moving into Japan today to recruit or train representatives who know what they are doing here, including working with the language.

Many foreigners are deterred by what they see as the insularity of the Japanese. It is hard to sell exports in Japan, they argue, it will

## When Adapting to the Market Means Winning It

(Continued From Previous Page)

For a market smaller than either's. For example, Japan has nine domestic car producers and more than 10 television makers. These companies compete fiercely, such as quality, price or service. In general, the product must have been successful in the company's home market. A company is highly unlikely to succeed if it says: "We have a surplus in our home market. Maybe we can unload it in Japan."

There are many areas where Western products are superior, but companies should exploit the high-technology disciplines where they clearly lead.

A survey of chief executives in the United States, Japan and Europe that Booz Allen & Hamilton conducted with Nihon Keizai Shimbun (Japan Economic Jour-

nal) showed that U.S. companies enjoy a clear lead in areas such as artificial intelligence, computer hardware and software, telecommunications and biotechnology.

Several communications companies, including Northern Telecom and AT&T, have been able to sell telephone switching equipment to those who have introduced them in Japan. Leaders in this area will have to adapt their offerings to suit Japanese customers.

Although there are no easy answers on when Western companies should follow Japanese conventions and when they should seek to establish new practices, here are some hints that might help them succeed:

• Whenever possible, successful Western firms have adapted their products to Japanese requirements,

including size, color, quality level and local conditions.

• Japanese management is essential for key positions in order to assess Japanese tastes, requirements and market conditions and to deal effectively with the Japanese business community and government establishments.

• Western firms should be attentive to changes in the market and in business practices. Consumer tastes and requirements have been changing drastically in Japan. For example, many Japanese are increasingly influenced by Western culture and customs, and more women are working outside the home, which increases the need for convenience products. Japanese firms have been increasingly aggressive in trying to meet those needs. But they are often too close to the market to assess the changes

objectively and their existing operations inhibit a cooperative response.

• If a Western company decides on an unconventional approach, it should be supported by a comprehensive feasibility study. In Japan, failure can be more damaging than in a Western nation, as in the case of Gillette, because employees stay with one company and thus have longer institutional memory.

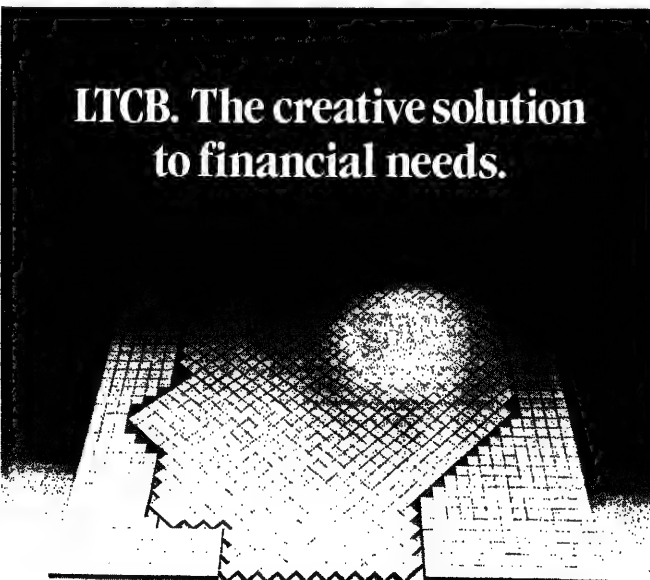
It is no different for Western firms to sell in Japan, they should they bother for a limited increase in sales? One reason is that participation in the Japanese market allows Western companies to monitor more closely their potential competitors and take advantage of new technologies, including product adaptation, that are being developed in Japan.

Western firms can be more objective and aggressive.

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GMT 18:44-18:59, January 22, 1986



# Isolation: Failure Sports Industries Stumble at Hurdle: Distaste for Leisure

By Susan Moffat

TOKYO — Every Friday evening at 5:30, a merry jingle echoes through the Ministry of International Trade and Industry urging hard-working bureaucrats to go home and devote themselves to some form of leisure, the virtues of which they have preached throughout their workweek.

But at 10 Friday night, and the following Saturday morning, the ministry jingles are still burning.

If only Japanese worked less and played more, economists say, their trade surplus would shrink and their "rabbit punch" lifestyle would improve.

At last, foreign salesmen hope, they would spend more on golf clubs, hobby kits and trips abroad. But the first barrier to the leisure trade is the Japanese distaste for leisure. The average worker takes only eight of his annual 15 days of paid leave "out of consideration for co-workers."

"Take the Japanese word for leisure, means 'access time,' implying wasted time."

The daily newspaper Yomiuri Shimbun put it this way: "Whether we like it or not, an era of plentiful leisure time will come... [but] in the ancient Roman Empire, there were 200 holidays a year and the people indulged in pleasure-seeking which led to the decline of the empire. Not a few leakers here are concerned that Japan might follow the same path to ruin."

Such concerns aside, the Ministry of International Trade and Industry recently recommended that Japan's average working year be reduced from 2,160 hours to 1,900

hours by the year 2000. By comparison, Americans work 1,934 hours and Britons 1,941 a year.

That sounds like good news for the 15-trillion yen (\$680-million) Japanese sporting goods market.

But increases in free time do not seem to do much for sales of leisure goods in Japan. The sports industry has seen its fortunes fall from the boom of the late 1970s to a mature and sluggish market. Industry analysts do not expect much growth in 1986.

Analysts cite slow economic growth, diversification of consumer tastes and consumer caution in buying new products in the face of rapid innovation and obsolescence as reasons for the slowdown.

And foreign goods, which used to dominate the market, are being squeezed out by competitive local manufacturers with goods designed for Japanese tastes and preferences. Mizuno, Yonex and Yamaha are moving into the territory of Spalding, Wilson and AMF.

For example, foreign golf clubs, which 10 years ago commanded about 80 percent of the market, now have less than 30 percent; sports equipment shows similar figures.

Foreign makers are doing best in golf equipment, where America leads the import market, followed by France and the United States.

For clothes before them, sports manufacturers are finding that in order to compete in the Japanese market they have to set up local manufacturing and local research and development aimed at meeting local needs.

"We're working at locally designed golf clubs balanced for Japanese players; consumers won't

seriously for products imported just for the sake of being 'foreign,'" said Takashi Asahi, manager of sales promotion at Spalding Japan, Inc.

Although 1986 will be a slow year, Mr. Asahi predicted steady growth over the long term.

He said that foreign sets of sporting goods should not think too much in terms of "foreign" — Japanese like options, something extra like graphite shafts for golf clubs, even if they don't make a big functional difference. And they're willing to pay for it. Expensive models sell, cheap ones don't, he said.

"Remember that sports in Japan is largely fashion," Mr. Asahi added. Ski slopes are full of struggling first-timers dressed in the hill, showing that image is first, foreigners second.

More than half of Japan's sports-related sales are in clothes. Underlying the market is a sense of sports not as a daily part of life, but as a luxury like imported whiskey or handbags. This is especially true for the 20 percent of the population that lives in the metropolitan Tokyo and Osaka regions.

Even public tennis courts cost about 3,000 yen (nearly \$17) an hour, and they are assigned to a lucky few by mail lottery weeks in advance. Membership in tennis clubs costs 300,000 yen and more, plus hourly fees of 2,000 yen.

Golf's expense is, in part, justified as business by a large proportion of its practitioners, who spend Sundays on the green making deals for the coming week. Club memberships range from 1 million yen to 50 million yen, with the fee averages 12,000 yen.

The market for the Big Three social sports has matured, and marketers are now looking to other activities, such as family mountain-climbing and camping, as well as aerobics, which is often taught by foreigners, weight training and racquetball. However, the high cost of land makes it difficult to build new facilities.

Television still the principal leisure activity. Other time-balanced pursuits include pachinko, mah-jongg and horse racing for men, and flower arranging, handicrafts and cooking lessons for women.

Japanese continue to be avid signifiers. They spent 1.2 trillion yen on overseas travel in 1983, mostly on group tours, according to the Japanese Travel Bureau. The average Japanese traveler spends



Japanese women play tennis, above; a woman in kimono, below, practices golf.

about \$1,000 in foreign currencies on an overseas trip, according to government estimates.

This means that if Japan could boost the number of its overseas travelers by a million people from the present 4.75 million over the next three years, its current-account surplus could be reduced by 250 billion yen.

And Japanese travelers are changing. The famous Louis Vuitton-luggage "office lady" traveler is giving way to more family-oriented travel and travel by other couples, according to the Japan Travel Bureau.

By the year 2000, more than 15 percent of the population will be over 65. The present 40.5-million senior citizen market in goods and services will grow to 142.5 million yen, with 62.5 billion yen of that in leisure, according to estimates by the Fuji Economic Research Institute.

Even today, more than 40 percent of the clientele of the culture centers is over 50. However, it is not clear whether Japanese society is ready to accept leisure-oriented "retirement communities," since 70 percent of the elderly live with their children's families.

## Trade Imbalances Likely to Continue

(Continued From Page 10)

assumption — because we're Americans — that we should be successful," Mr. Abegglen said.

Another answer to U.S. complaints comes from Kenichi Ohmae, managing director of the Tokyo office of McKinsey & Co., the U.S.-based management consulting firm. Mr. Ohmae argues that official trade figures are only part of the story, since they measure only flows of goods across borders and overlook local manufacturing by foreign companies.

If the sales of U.S.-owned plants in Japan and of Japanese plants in the United States are included, Mr. Ohmae said, U.S.-Japan trade is roughly in balance. The problem is that far more U.S. companies choose to manufacture in Japan than Japanese do in the United States.

The question that Congress should address, according to Mr. Ohmae, is "why American companies have chosen to locate their plants outside the United States."

He said, Congress should be giving way to more family-oriented travel and travel by other couples, according to the Japan Travel Bureau.

Regardless of how the blame is allotted, some observers say Japan already is doing about as much as politically possible to redress the imbalance. "It's rather difficult to see what further dramatic moves Japan can make, short of renouncing its whole society," said Hugh Corbett, director of the Trade Policy Research Center in London.

A study by Mr. Bergsten and William R. Cline of the Institute for International Economics last year argued that the main reason for Japan's record surpluses was the "overvaluation" of the dollar, which made Japanese goods cheap in the United States.

dollar began to plunge last autumn. Total elimination of Japanese barriers to trade, both overt and intangible, would be likely to increase U.S. exports to Japan by \$5 billion to \$8 billion, a sizable gain but far from enough to bring trade near balance, according to the study. It concluded that Japanese barriers to trade are not "abnormally high" in comparison with other major industrial countries.

"Total nonsense," retorted Mr. Prestowitz, the Commerce Department official. "The only people who believe that kind of stuff are academic economists."

In any case, many foreigners argue that Japan should be more open to imports than other countries because Japan has benefited so strongly from international trade and has the most to lose from protectionism.

"We've got fairness after most of the ball game is over," said a senior executive of a U.S. electronics company that hopes to benefit from last year's market-opening measures.

Even so, more and more foreign companies view a presence in Japan as essential. "For all the complaining, people do not regard this as a closed market, or they wouldn't be setting up here," said John Stern, who heads the Tokyo office of the American Electronics Association.

Heinz Stangier, president of Nestlé SA's Japanese unit, which has managed to gain a 70-percent share of the instant-coffee market in Japan, advised: "If you want to beat the Japanese in the world market, you better fight them in their home market."

Japan, for its part, can be expected to continue to proclaim periodic market-opening measures, timed to help subside outbreaks of protectionist ardor.

## Barriers to Business Remain Cultural, Rarely Economic

TOKYO — When Satoko Iwasaki ordered stationery and gift-wrapping paper via mail order from the United States, she was disappointed. The gift paper came folded so she could not use it to wrap presents for Japanese friends. Because of the creases, they would think it had been used. The stationery came in a wasteful box size, seemed inferior in design, cutting and printing to Japanese writing paper. With certain pens, she found it would not absorb the ink.

Many Japanese and Western businessmen believe that the principal problem in selling foreign products in Japan lies in the cultural differences between East and West, rather than in economic protective measures.

History, language, customs and current living conditions affect what people buy, and price and quality are always important factors. The Japanese are acute critics of quality and, historically, a frugal people in a once desperately poor country.

Den Fujita, president of McDonald's Japan, said at a press conference in January at the Foreign Correspondents' Club: "The problem is culture rather than economy. There will be no solution for this issue unless people understand the culture of their trading partner."

The late Mark Zimmerman, a businessman in Japan from 1977-1982 and author of "How to Do Business With the Japanese," published by Random House in 1985, warned: "The time for arrangements — gaining an understanding of Japanese culture is a matter of mere survival."

In the United States, the Iwasakis would be considered members of the upper middle class because of their educational level, professions and work-related ambitions. They own their home, built 10 years ago in a good Tokyo neighborhood, but do not have a car since trains and subways provide efficient transportation.

Satoko Iwasaki, 43, teaches English in a junior college, works on doctorate-degree courses in English linguistics and manages a household of a student daughter, Rei, 18, and husband, Masami, 48, a businessman.

They belong to the "new poor," she said, using the current designation for middle-class families who are putting a high percentage of their income into education, housing and savings, while at the same time buying expensive household

goods, including technological products that they consider essential to their jobs. An engineer and a computer buyer, Mr. Iwasaki bought two personal computers, a printer and a cathode-ray tube within the last two years. All Japanese-made.

"They were less expensive and easier to get software for," his wife said. "The world like to buy some American high-tech," she added, "but there's no detailed information in Japanese with specific explanations about the products."

Topping a list of major household purchases was an up-to-date video player, which Mrs. Iwasaki said is necessary for recording English-language programs to use with her students.

Others listed that reflect the Japanese style of living as well as the Iwasakis' penchant for Western comforts were an automatic rice cooker, an electric rug, a hot water boiler for the bath, Japanese bed-

rooms and think it over and ask friends for advice. When we were young, we bought things when our husband got his bonus in June and December. Now, we buy when the newest item appears on the market since technology is changing so fast.

Their purchases of Japanese products are simply expedient. Mrs. Iwasaki believes that they cost less than similar foreign goods and are of better quality. The after-service warranty plus readily available parts is practical. "We don't have to wait," she said.

The West fares better in tantalizing the Japanese palate. Mr. Iwasaki drinks German wine and imported whiskey. The Iwasakis like lady Berlin ice cream — "It's much tastier than Japanese, more varieties, better flavor" — and Diet drinks Coca-Cola and stops at McDonald's for an after-school snack. They sprinkle Tabasco on the pizza-zaat, but they think American cheddar is too sweet. When they jog, mother and daughter wear Nikes.

For a family, the philosophical-political issues for or against buying imported products are almost meaningless.

The Iwasakis have observed neither a pro-Japan loyalty nor an anti-foreign bias. When Prime Minister Yasuhiro Nakasone appealed to the public last spring to help ease the trade deficit by buying 500 million yen of foreign goods, the Iwasakis demurred.

"I don't think people followed suit," Mrs. Iwasaki said. "We thought, 'You can buy because you're rich, but we can't.'"

Mr. Fujita introduced Japan to the Christian Dior line before making his 1971 joint venture with McDonald's. Japan has 530 McDonald's outlets with another 70 planned by the end of 1986. Mr. Fujita, who is not considered a "typical Japanese businessman," combines knowledge of the Japanese with sharp business know-how.

"The dual psychology of the Japanese is exclusiveness and admiration for Western culture," he said. "When you market Western products in Japan, you should never identify which country's products they are. Sell the name, not the nationality."

Japanese children believe that McDonald's is a Japanese company, he said, telling an anecdote about some young travelers in Chicago who were astonished to find the restaurant there.

His advice to businessmen who want to market a product in Japan is basic: Study history and the "complicated" Japanese psychology, know the everyday life of ordinary people, study Japanese, since the Japanese study English "very hard," and get rid of cultural differences to sell a product.

Mc. Fujita, who is now advisory director of McDonald's USA, said, "Cultural friction is at the back of economic friction." He added: "The internationalization of Japan could not be achieved without internationalizing their eating habits."

He may be right. In recent years, internationalization has been a much-talked-about theory in education, but the idea seems to have worked faster with hamburgers, pizza, ice cream, rock music, movies, Seven-Eleven convenience stores and Coca-Cola.

—CHRISTINE CHAPMAN

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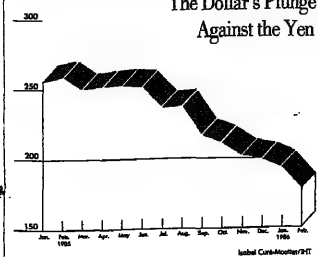
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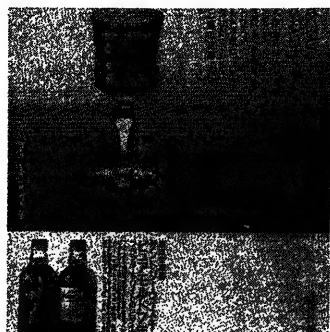
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## The Dollar's Plunge Against the Yen



## A SPECIAL REPORT ON JAPAN



Two advertisements from mass-circulation national magazines.

## Scotch Whisky Competes With Taxes

(Continued From Page 9)

There is no discrimination," said a spokesman for the Finance Ministry. For the Europeans, liquor is big business. Even though Scotch whisky has only about 6 percent of the overall Japanese whisky market, it is Britain's biggest export to Japan. Cognac is France's biggest seller in Japan. Moreover, the small wine market, where foreigners account for about 30 percent of sales, has enormous potential for growth, importers say.

The problem for imported drinks is price, largely determined by tax and duties. The foreign producers say that Japan's system creates a wide-disparity gap between the price of low- and high-quality

drinks, pricing the latter out of the main market.

For instance, the cheapest Japanese whiskeys sell in retail outlets for around 800 yen (\$4.40) for a 750-ml bottle, while imports start at about 3,000 yen.

The main reason for that gap, importers say, is a tax system based on three grades: special, first and second. Special grade, under which almost all imported brands are classed, pays at least seven times as much tax as second grade and more than twice as much as first.

To qualify for the lower tax rates, a whiskey needs to contain less than 27 percent pure malt or grain whiskey base. Thus, the pro-

ducers of the cheaper brands use large amounts of so-called neutral spirits in their formulations.

Japanese officials note that the foreigners could qualify for the cheaper tax rates by diluting their whiskey with neutral spirits. The Scotch importers reply that such a move would mean that they could no longer call their product Scotch whisky under British law.

"Basically, you would be throwing away all the advantages of authenticity, international brands and success in other markets," said Mark Bodington, a marketing executive at a Japanese unit of J. & F. Matheson Holdings Ltd., which imports White Horse Scotch. The price gap is further widened by duties on imported whiskey and

ad valorem taxes that hit the more expensive brands. To make things worse, whiskey sales have slumped in Japan in recent years, mirroring the international trend.

The whiskey importers want Japan to impose a tax system more akin to those of the United States and Europe, where spirits of similar alcoholic strength generally pay the same rate of tax, keeping prices in a narrower range.

One late Scotch salesman said the question for Japan is: "Would you mind following international practices around these products, which we invented and which form part of our cultural heritage, not yours?"

Some of the importers believe Japan is likely to offer concessions as part of tax-reform proposals being prepared this year. But they fear that the system will be revised in a way that allows local formulations to retain a monopoly on the bottom end of the market.

PA International, a British consulting firm, studied the issue closely last year and came up with a report largely sympathetic to the importers' arguments. But PA also criticized European producers for investing too little in the Japanese market and being slow to develop brands tailored for it.

"Unless the industry is also prepared to be more aggressive, innovative and flexible in its future work in Japan, there is a very real risk that the potential advantages from improvements on the regulatory front could be frittered away," PA said.

— BOB HACKETT

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## The East-West Advertising Gap

By Steve Vogel

PARIS — Western manufacturers have long been perplexed by the riddles of advertising in Japan. "How," they lament, "are we supposed to come up with an advertising strategy if we can't even understand the Japanese commercials?"

The problem is not only one of language. For most Western executives, Japanese commercials simply make no sense.

One of the masterpieces of such "nonsensical" advertising features Woody Allen. He beautifully unfolds and refolds a piece of paper. He looks left and right, and he moves forward as if musing on the courage to make some sort of statement, yet he does not say a word. Finally, he presents the message written on his piece of paper: "Oishi sekou," which means "delicious life."

The slogan was created for Seibu, a prominent department store and retail company, by Shigeo Ito, a copywriter heralded in newspapers and TV talk shows for his uncanny perception of Japanese popular trends. "But," cry the Westerners, "the commercial still doesn't make sense."

Although the commercial fails to communicate a real sales message, it leaves the viewer with a sense of satisfaction. It complements gentle humor with a slogan that sounds good, although its meaning is unclear.

Such "mood" commercials predominate in Japan since the Japanese feel uncomfortable with too much direct verbal communication. They consider it awkward, if not impolite, to compare one product against another or to state things too clearly when discussing oneself or one's own product.

Commercials are not designed to extol the virtues of the product, but merely to evoke a certain mood. Typically, they do not even identify the product until one final split-second flash.

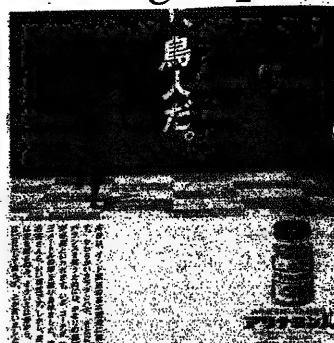
The purpose of such commercials can be simply to entertain, and thus to gently instill in the viewer a kindly disposition toward the company and its product.

Alternatively, they can be designed to stir up a public reaction to the commercial, to create a topic of conversation that in turn will increase awareness of the product.

In either case, the commercials often treat the first step between brilliance and irrelevance. For the foreign manufacturer, needless to say, it is of the utmost importance to be on the right side of the line.

Apple Computer chose to introduce itself in the truly Japanese way. A Buddha held an apple in

Television commercials are not designed to extol the virtues of the product, but merely to evoke a certain mood. Typically, they do not even identify the product until one final split-second flash. And they baffle Westerners.



The magazine version of a television commercial for a popular multi-vitamin brand.

his hand, as a voice gently repeats "apple," or apple. The camera gradually focuses on the apple until the apple can be seen; the voice grows louder and suddenly the viewer switches to the final: a flash of the Apple logo.

American Express felt that it could be just as unforgettable using the same classic it uses around the world. The company picked Jack Nicklaus as a well-known, respectable figure and as a hero of a sport that the nouveau riche Japanese adore. The commercial was immensely popular because its subtle sales pitch was camouflaged by the presence of Mr. Nicklaus and the humor of having him finish by saying, "Don't leave home without it," in his own homophonous American accent.

In fact, one reason the Japanese use Western celebrities and foreign languages in their commercials is often to make the message less direct. It is alright, in other words, to boast about a product if you happen to be John Travolta or Catherine Deneuve. And it seems less gauche to refer to a product as "vital" (or "vitalize") (vital) than to say the same thing in Japanese.

Procter & Gamble became one of the rare foreign companies to dare to try a stereotypical "hard-sell" American commercial when it introduced All Temperature Cream. In the ad, one housewife tells another just how wonderful Cheer is.

Not surprisingly, most Japanese viewers found this distasteful. Yet, noted one Japanese ad-man, Procter & Gamble was instant recognition for its product. The commercial even added a new word to the Japanese language, "conoda," which means "all temperature."

The "mood" versus "message" debate rages among Japanese advertisers. Critics claim that most of the advertisements are simply irrelevant and thus hold no benefit for the sponsor. Advocates argue that they do have a sales message, but one that is not directly verbalized so as to be appropriate for a Japanese audience.

There is no clear answer in this debate for the foreign company. What is certain, however, is that most companies will need a heavy initial advertising investment — 1 billion yen (\$6 million) by one estimate — to introduce their product to the Japanese market.

Furthermore, the company will have to create commercials, with or without a strong sales pitch, which suit the peculiar Japanese mind-set and inclinations are that foreign companies have not done very well to date.

According to a November 1984 survey by the Ministry of International Trade and Industry, 71 percent of consumers reported that they were not impressed by any commercials for imported products.

While 24 percent said they were impressed by some.

With the wide differences in advertising between Japan and the West, it is not surprising that foreign advertising agencies have as yet had only limited success in the Japanese market.

The market is dominated by Dentsu, which controls 25 percent of the domestic market and 50 percent of the dominant medium, television. It is followed by Hakuhodo, with 11 percent of the market and eight offices. Together, these 10 agencies account for half of the Japanese market.

The top foreign agency is the joint venture McCann Erickson-Hakuhodo, widely known for its successful promotion of Coca-Cola.

Dentsu cannot be rivaled in sheer power, having the close to buy up all the best time on TV and much of the most desirable space in newspapers and magazines. In fact, it plays an increasingly large role in Japanese society as a whole, with leverage over the media and political influence. Hakuhodo has all but given up fighting Dentsu's power, but is trying to compete on the creative side.

Although it may take newcomers a while to get used to the methods of the Japanese industry, the advertising agencies are hospitable to potential clients and can be helpful in explaining the eccentricities of advertising in Japan — even if they cannot explain the commercials.

## FREE! A new guide to Tokyo or to Japanese industries with this questionnaire.

Take a second to complete this simple questionnaire and receive either of these books with our thanks — "The Nissan Guide to Tokyo and Environs" (a fact-filled compendium of where to go and what to do) or "Japan Company Handbook" (1,100-plus pages of facts and figures on Japanese firms). But do it now, since our supply is limited to the first 200 replies received.

1. Please check in the Q1 box and company of which you know something.
2. Of the companies checked, please indicate if you know their product names or business line.
3. Please check two companies which interest you most and list the reasons why in the space provided. Thank you.

	Q1	Q2	Q3		Q1	Q2	Q3
Aishi Optical Co.				Mitsubishi Motors Corp.			
Brother Industries, Ltd.				Mitsui Bussan Kaisha, Ltd.			
Canon, Inc.				Mitsui O.S.K. Lines, Ltd.			
Casio Computer Co.				Nichimen Corp.			
Citizen Watch Co.				NEC Corp.			
C. Itoh & Co.				Nippon Kofun K.K. (INOK)			
EPSON Corp.				Nippon Steel Corp.			
Fujitsu, Ltd.				NYK Line			
Hatohi Sanko Co.				Nissan Motor Co.			
Hiroshi, Ltd.				Nishio Inel Corp.			
Hiroshi Zosen Co.				Old Electric Industry Co.			
Harris Motor Co.				Olympus Optical Co.			
JVC				Pioneer Electronic Corp.			
"K" Line				Ricoh Co.			
Kawasaki Steel Corp.				Sanyo Electric Co.			
Komatsu, Ltd.				Sanyo Corp.			
Kubota Photo Industry Co.				Silva Sales, Ltd.			
Kubota, Ltd.				Sony Corp.			
Matsubara Corp.				Soviet Consulate Corp.			
Matsumoto Electric Industrial Co.				Sunbeam Corp.			
Mitsubishi Motor Corp.				TDK Corp.			
Mitsubishi Zosen Co.				Tokai Jishi Industrial Co.			
Nippon Yusen K.K.				Toshiba Corp.			
Nissan Motor Corp.				Toyota Motor Corp.			
Nissan Steel Corp.				Y.S. Line			

Reasons why I am interested in those companies:

Name: (please print)

Position:

Company name:

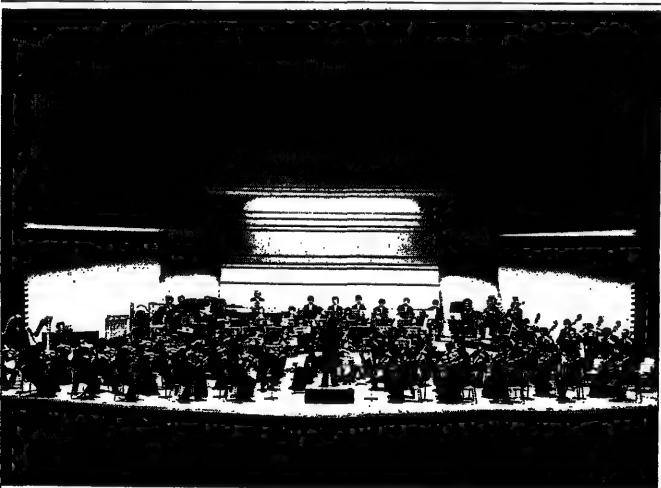
Address:

Check one: Country

☐ The Nissan Guide

☐ Japan Company Handbook

Please mail this questionnaire to:  
Ms. Wendy Mallinson, International Herald Tribune, 181 avenue Charles-de-Gaulle, 92521 Neuilly Cedex, France.



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مركز استثماري



Lowly Personnel Director Is Coming Up in the World

PARIS — Looking after people in companies has traditionally been a low-status job. In many companies, personnel directors are powerless administrators, often told after the fact of hirings and firings of top managers. But under competitive pressures, some multinational firms have been in the forefront of people management, such as IBM, Volvo, Philips and Shell, are giving human resource managers the power and responsibility to solve strategic business issues. As companies merge, acquire new businesses or get rid of old ones, corporate decisions can no longer be made on financial and marketing considerations alone. Too many acquisitions, for instance, failed because managers of the new company didn't get along with the parent company and resigned, taking their know-how with them.

Some companies have upgraded their "human resource manager."

"Companies are moving away from the old personnel director," says Brooke Chalmers, vice president of Korn Ferry International, the New York-based executive search firm. The human resource function is being upgraded and getting more recognition. Before, the human resource position was the lowest-paying senior position. But reorganizing corporate structures as people management is difficult, events often will say, as asked, that people are the most important part of the company.

For George van Houten, a member of Philips NV's management board, "Human resource management is still in its infancy as a management tool and a formalized process within companies, including Philips." Until recently, he says, "most companies seemed to slide along on a reactive, almost crisis management of their human resources."

"But," he adds, "with the right people in the right places at the right time, the long-term goals of the company cannot possibly be achieved."

FOR MANY corporate managers, human resource management, the current buzzword, means identifying and developing the best top managers who will be able to carry out a company's goals, be they in product development, marketing or finance. In contrast, traditional personnel tasks are largely administrative and legal. In many European companies, for instance, top personnel administrators are concerned with solving industrial disputes.

"The most important part of human resource management is getting the right people for the new functions of the future," says Kees Krombeek, director at Philips of the Corporate Staff Bureau. He is in charge of hiring high-potential managers or placing them within the company, and training them.

According to research by Paul Evans of the European Institute of Business Administration in Fontainebleau, France, 40 percent of 60 percent of corporate managers believe that human resource management boils down to "how do we identify and develop high-potential individuals."

Of the top executives interviewed, 38 percent said finding such individuals was their priority over the next five years, out of a number of human resource management issues. Sixty percent said it was a priority for the five-year period.

Mr. Evans, who is professor of organizational behavior at the University of California at Berkeley, said that in a human resource-oriented company, "the top general manager of the company or the subsidiary considers that he has ultimate responsibility for human resources."

In most U.S. companies, human resource managers report to the financial director. But in some, such as International Business Machines Corp., General Motors Corp., Mobil Corp. and Ford Motor Co., they report directly to the chief executive officer.

In European companies, traditional managers have traditionally reported to the chief executive. But in human resource-oriented companies, they are part of the inner circle and often act as

Italy's ENI: No Longer in Sick Bay

By Roberto Suro  
Rome — For years the largest corporation in Italy was known as "the hospital," and the sickroom reflected a reputation for illness rather than health. The company, Ente Nazionale Idrocarburi, regularly used up more losses proportionate to its size as the third-largest, non-American multinational.

But now, ENI seems to be curing itself. In one of the sharpest turnarounds in business history, ENI reported a respectable profit of about \$500 million for 1985. The transformation of ENI's balance sheet is the result of a limited privatization program begun in 1983, a year in which the company had a \$1-billion loss.

Like all of Italy's government holding companies, ENI is a political creature, and its turnaround followed a decision by Italy's Socialist government to run it like a private company while retaining ownership.

ENI's good health is crucial to the Italian economy because it provides more than half the nation's oil and gas supplies. But the company's recent success also demonstrates the extent to which management techniques copied from the private sector can improve the performance of a government enterprise, which must pursue goals in a political forum rather than the marketplace.

Making this big conglomerate profitable involved making more use of its highly integrated energy sector. At the same time, losses were cut in some of the company's other businesses, such as cotton fabrics and plastics.

Despite the good news on last year's profits, however, some industry experts wonder whether both business and political constraints might limit ENI's upside.

The basic challenge for ENI's managers is to balance a series of competing demands.

"We answer to government policy, not a price-earnings ratio, yet we must make our services competitive with those of private businesses," said Franco Bernabè, ENI's vice director for planning and control. "For public

li-so-cio companies like ours, the emphasis is on generating cash flow more than on profits. The two are not always compatible, but now we are increasing both."

ENI was founded by the government in 1953 to reduce Italy's dependence on the international oil companies that then dominated the market.

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INTERNATIONAL MANAGER

Lowly Personnel Director Is Coming Up in the World

By SHERRY BUCHANAN

PARIS — Looking after people in companies has traditionally been a low-status job. In many companies, personnel directors are powerless administrators, often told after the fact of hirings and firings of top managers. But under competitive pressures, some multinational firms have been in the forefront of people management, such as IBM, Volvo, Philips and Shell, are giving human resource managers the power and responsibility to solve strategic business issues.

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Currency Rates

Currency	Rate
U.S. dollar	1.00
British pound	1.66
West German mark	3.36
French franc	6.55
Italian lira	2036
Japanese yen	163.6
Swiss franc	2.00
Spanish peseta	166.64
Portuguese escudo	200.48
Belgian franc	36.36
Dutch guilder	3.76
Australian dollar	1.49
New Zealand dollar	1.27
South African rand	1.76
Israeli sheqel	3.48
Israeli sheqel	3.48
Israeli sheqel	3.48

Interest Rates

Instrument	Rate
3-month T-bill	7.00%
6-month T-bill	7.00%
1-year T-bill	7.00%
3-month Treasury note	7.00%
6-month Treasury note	7.00%
1-year Treasury note	7.00%
3-month corporate bond	7.00%
6-month corporate bond	7.00%
1-year corporate bond	7.00%

Money Market Rates

Instrument	Rate
3-month T-bill	7.00%
6-month T-bill	7.00%
1-year T-bill	7.00%
3-month Treasury note	7.00%
6-month Treasury note	7.00%
1-year Treasury note	7.00%
3-month corporate bond	7.00%
6-month corporate bond	7.00%
1-year corporate bond	7.00%

OPEC Cautious On Cuts

Ministers Expect No Solution Soon

By Bob Hagerty

GENEVA — Oil ministers of the Organization of Petroleum Exporting Countries cautioned Tuesday against expectations of an imminent agreement on production restraints.

"I think it is too early to speak of results," Belkacem Naji, Algeria's minister, said during a break on the third day of a tense meeting here. Mr. Naji is pushing for deeper cuts in output than many other ministers believe possible in an effort to raise prices higher.

The ministers were considering an experts' report on the implications of various proposals for reducing OPEC production from the current level of around 17 million barrels a day in a bid to support prices. The experts examined the idea of varying OPEC output in line with seasonal shifts in demand.

Western Banks in U.A.E. Clash With Islamic Law

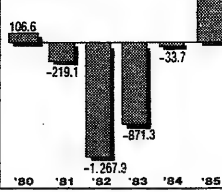
ABU DHABI — Western banking practices are clashing with Islamic legal principles in courts throughout the United Arab Emirates, where banks are seeking legal help to collect increasing bad debts.

India Plans Reform of Exchanges

NEW DELHI — An official committee has suggested wide reforms of India's 14 stock exchanges, including changes in the conditions for listing a company, standards for the quality of the stock, and the role of the stock exchange as a place for finance, local parliament on Tuesday.

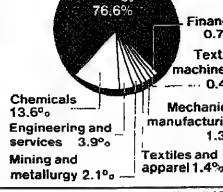
Returning to Profitability

E.N.I.'s income (losses), in millions of dollars converted at year-end exchange rates



A Revenue Breakdown

Percentage contribution to 1984 net revenues of \$23.6 billion



U.S. Trade Gap In '85 at Record \$117.7 Billion

The Associated Press

WASHINGTON — The United States had a record deficit of \$117.7 billion last year in the broadest measure of the country's foreign trade, the Commerce Department reported Tuesday.

The deficit in the U.S. current account was 9.6 percent larger than the previous record deficit of \$107.4 billion, in 1984. The current account, which measures trade in goods and services, as well as some financial investments, provided the most comprehensive picture of a nation's trade transactions.

Japan GNP Grew 7.2% In Quarter

Agence France-Press

TOKYO — Japan's economy grew at an inflation-adjusted annual rate of 7.2 percent in the October-December quarter of 1985, the Economic Planning Agency reported Tuesday.

Production Up 1.6% in U.K. During January

Reuters

LONDON — U.K. industrial production rose a provisional 1.6 percent in January after a 2.4-percent fall in December, the Central Statistical Office said Tuesday.

IMF Reviews Italy's Prospects For a Bright Economic Year

Reuters

ROME — Italian business and political leaders are meeting a team from the International Monetary Fund to review 1986 economic prospects, which are buoyed by predictions of better trade and inflation figures.





## BUSINESS ROUNDUP

## Wah Kwong Creditors Receive Revised Plan

**HONG KONG** — Wah Kwong Shipping & Investment Co. said today that it has sent a revised restructuring plan for debts totaling \$20 million to its 46 creditors.

The original plan, presented last week, calls for all creditors to receive 50 cents on the dollar. The plan also calls for a pool from which interest expenses and interest on interest will be paid.

Under the revision, the plan is revised to end on May 30 and a debt provided by Standard Interbank PLC and the Bank of Tokyo will be injected into the pool simultaneously. The statement did not disclose the amount of the credit line, but a source close to Wah Kwong said it was \$10 million.

## ache Makes Bid or Clive Discount

**LONDON** — Bache Group Inc. today said it had agreed to acquire Clive Discount Holdings Co., a London-based discount brokerage, for 50 pence (75 cents) a share.

The offer represents a premium of 50 percent over Clive's net asset value, adjusted to include its 50 percent interest in the Clive Discount Corporation, which had been valued at 10 pence.

Bache Group, a subsidiary of International Insurance Co. of America, is a 50 percent interest in the London stock brokerage P-B Securities, Down, De Boer & Co.

## 3 Airlines to Pay Travelers \$30 Million in Antitrust Suit

**WASHINGTON** — Three airlines have agreed to give \$30 million in travel coupons to travelers who claimed they had to pay higher fares for trans-Atlantic flights than Laker Airways paid in 1972. British Airways, Trans World Airlines and Pan American World Airways Inc., which denied any wrongdoing, agreed to the fund to settle an antitrust suit. The travelers had claimed the carriers conspired to fix fares and, ultimately, eliminated the low-cost competition from Laker Airways.

Because the suit is a class-action suit, the settlement must be approved by U.S. District Judge Harold H. Greene.

So far, more than 214,000 claims have been filed, covering more than 1.5 million flights. Dividing the \$30 million among that many travelers would mean they would receive coupons worth about \$18 for each trans-Atlantic flight.

Travelers who booked round-trip flights on any of the three airlines between March 1, 1972, and March 31, 1984, and who have filed claims, will receive two coupons each.

Additional claims can be filed until April 15 under the terms of the settlement.

Laker Airways, a London discount carrier founded by Sir Freddie Laker in 1977, operated a no-frills service between New York and London. Sir Freddie sued British Airways and 31 other airlines, accusing them of conspiring to drive his airline out of business. In October, he reached an agreement with those companies for Laker's creditors to be paid \$60 million, ending the lawsuit.

## U.S. Takes Aim at EC Trade Limits

(Continued from Page 1)

wing American anger over EC policies.

"It's puzzling," said Ella Kruttschnitt, press representative for the community's delegation in Washington. "It appears that certain agreements and the administration are angry, but it doesn't show the grain route."

The anger certainly shows up in Washington. American farm interest in EC arguments that the EC's grain import limits are temporary; they view a new soybean quota as the first step in an EC plan to end a 50 percent free access to the European market for that key commodity.

Oil made from soybeans comes directly with European olive oil, which is more expensive. Farm interests in Washington said the community is trying to use import restrictions to increase sales of Italian, Spanish and Portuguese oil.

The EC also has insisted that 15 percent of Portugal's grain imports come from within the community and that Spain limit grain imports imposing "variable tariffs" instead of a fixed 20 percent duty.

Senator Pete Wilson, a California Republican and harsh critic of EC policies, said these could increase the price of American corn in Spain by as much as 80 percent, along with the Portuguese quota could cost American farmers at least \$900 million.

The measures were to have taken effect March 1, but U.S. trade officials said they have been delayed. Officials attributed the delays to bureaucratic problems.

While the new policies may hurt American farmers now, EC officials said, the United States will benefit in the long run from increased sales of grain substitutes such as corn gluten feed and a lowering of Spain's and Portugal's high tariffs on manufactured goods.

The Reagan administration has announced the new tariffs and quotas as illegal under the General Agreement on Tariffs and Trade, which regulates international trade, and has called for quick negotiations. The EC said it is willing to pay compensation under GATT rules, but Mr. Wilson said the amount offered will not cover the U.S. losses to farm sales.

For the present, all is peaceful in communications talks, where a new EC policy of loosening barriers runs contrary to the practices of the free-trade and telegraph agreements in many member states. France, for instance, reportedly wants to continue restricting telecommunications imports.

## Southwest, Pioneer of Lower Fares, Feels Pinch

**By Ralph Blumenthal**

**HOUSTON** — All but obscured these days by the giant shadow of Frank A. Lorenzo and his expanding Texas Air Corp. empire, a colorful Texas rival is coming under growing pressure from forces it unleashed in what many today see as the start of the deregulation revolution.

The maverick is Southwest Airlines. Fifteen years ago, it sent three planes against Mr. Lorenzo's airline, then known as Texas International, and other powerful carriers in what many today see as the start of the deregulation revolution.

As an intrastate airline free of federal pricing, Southwest slashed fares. It also pioneered two-tier pricing, setting one fare for peak travel hours and a lower fare for off-peak hours. To save on costs, it did not serve food, and it made few connections with other airlines, keeping baggage-handling to a minimum. In short, Southwest kept it simple.

By its boldness, and a monopoly on the best Dallas-Fort Worth route, Southwest has prospered hugely over the years. Herbert D. Kelleher, its chairman and president, recently estimated that an original investment of \$1,000 in the publicly held airline would be worth more than \$250,000 today. It now has 56 planes serving 25 cities in 11 states from California to Tennessee.

But Dallas-based Southwest may have taught its lessons too well. Carriers around the United States, notably People Express, have caught on to parts of the formula, setting off a flurry of fare-slashing that has cut into Southwest's profits.

Moreover, the conventional wisdom is that small carriers such as Southwest will be at a growing disadvantage in an age of airline giants. The big airlines have crew on vast fleets and staffs, advertise nationwide service and lure customers with such perks as free overseas tickets and other benefits for frequent fliers, as well as selectively cut fares.

The new competition is reflected in Southwest's earnings, which fell 47 percent in the quarter ended Dec. 31, to \$6 million, or 18 cents a share, from \$11.4 million, or 39 cents a share, a year earlier. For the year, the airline earned \$47.3 million, down 4.8 percent from \$49.7 million the year before; revenues rose 26.8 percent, to \$679.7 million, from \$535.9 million.

Nevertheless, the head factor, or percentage of seats filled by paying passengers on Southwest's flights, division, based in Danbury, Connecticut, is to be renamed Fujitsu Imaging Systems of America.

Holiday Inns Inc. has signed an agreement with Titan An Development Co. to form a hotel management company, Titan An Hotels International Ltd., which will operate hotels to be developed by Titan An Development in China.

Hyundai Motor America Inc. said that all Hyundai cars sold in the United States since their introduction a month ago are being recalled because a missing or damaged part could cause total brake failure. Up to 4,000 cars may be involved.

Jacobsen & Co. AG, a Swiss chocolate manufacturer, said it is planning to increase its Swiss sales from 150 million in 1985 to 150 million in 1986, to 150 million in 1987, to 150 million in 1988, to 150 million in 1989, to 150 million in 1990, to 150 million in 1991, to 150 million in 1992, to 150 million in 1993, to 150 million in 1994, to 150 million in 1995, to 150 million in 1996, to 150 million in 1997, to 150 million in 1998, to 150 million in 1999, to 150 million in 2000, to 150 million in 2001, to 150 million in 2002, to 150 million in 2003, to 150 million in 2004, to 150 million in 2005, to 150 million in 2006, to 150 million in 2007, to 150 million in 2008, to 150 million in 2009, to 150 million in 2010, to 150 million in 2011, to 150 million in 2012, to 150 million in 2013, to 150 million in 2014, to 150 million in 2015, to 150 million in 2016, to 150 million in 2017, to 150 million in 2018, to 150 million in 2019, to 150 million in 2020, to 150 million in 2021, to 150 million in 2022, to 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2064, to 150 million in 2065, to 150 million in 2066, to 150 million in 2067, to 150 million in 2068, to 150 million in 2069, to 150 million in 2070, to 150 million in 2071, to 150 million in 2072, to 150 million in 2073, to 150 million in 2074, to 150 million in 2075, to 150 million in 2076, to 150 million in 2077, to 150 million in 2078, to 150 million in 2079, to 150 million in 2080, to 150 million in 2081, to 150 million in 2082, to 150 million in 2083, to 150 million in 2084, to 150 million in 2085, to 150 million in 2086, to 150 million in 2087, to 150 million in 2088, to 150 million in 2089, to 150 million in 2090, to 150 million in 2091, to 150 million in 2092, to 150 million in 2093, to 150 million in 2094, to 150 million in 2095, to 150 million in 2096, to 150 million in 2097, to 150 million in 2098, to 150 million in 2099, to 150 million in 2100, to 150 million in 2101, to 150 million in 2102, to 150 million in 2103, to 150 million in 2104, to 150 million in 2105, to 150 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to 150 million in 2148, to 150 million in 2149, to 150 million in 2150, to 150 million in 2151, to 150 million in 2152, to 150 million in 2153, to 150 million in 2154, to 150 million in 2155, to 150 million in 2156, to 150 million in 2157, to 150 million in 2158, to 150 million in 2159, to 150 million in 2160, to 150 million in 2161, to 150 million in 2162, to 150 million in 2163, to 150 million in 2164, to 150 million in 2165, to 150 million in 2166, to 150 million in 2167, to 150 million in 2168, to 150 million in 2169, to 150 million in 2170, to 150 million in 2171, to 150 million in 2172, to 150 million in 2173, to 150 million in 2174, to 150 million in 2175, to 150 million in 2176, to 150 million in 2177, to 150 million in 2178, to 150 million in 2179, to 150 million in 2180, to 150 million in 2181, to 150 million in 2182, to 150 million in 2183, to 150 million in 2184, to 150 million in 2185, to 150 million in 2186, to 150 million in 2187, to 150 million in 2188, to 150 million 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in 2439, to 150 million in 2440, to 150 million in 2441, to 150 million in 2442, to 150 million in 2443, to 150 million in 2444, to 150 million in 2445, to 150 million in 2446, to 150 million in 2447, to 150 million in 2448, to 150 million in 2449, to 150 million in 2450, to 150 million in 2451, to 150 million in 2452, to 150 million in 2453, to 150 million in 2454, to 150 million in 2455, to 150 million in 2456, to 150 million in 2457, to 150 million in 2458, to 150 million in 2459, to 150 million in 2460, to 150 million in 2461, to 150 million in 2462, to 150 million in 2463, to 150 million in 2464, to 150 million in 2465, to 150 million in 2466, to 150 million in 2467, to 150 million in 2468, to 150 million in 2469, to 150 million in 2470, to 150 million in 2471, to 150 million in 2472, to 150 million in 2473, to 150 million in 2474, to 150 million in 2475, to 150 million in 2476, to 150 million in 2477, to 150 million in 2478, to 150 million in 2479, to 150 million in 2480, to 150 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to 150 million in 2523, to 150 million in 2524, to 150 million in 2525, to 150 million in 2526, to 150 million in 2527, to 150 million in 2528, to 150 million in 2529, to 150 million in 2530, to 150 million in 2531, to 150 million in 2532, to 150 million in 2533, to 150 million in 2534, to 150 million in 2535, to 150 million in 2536, to 150 million in 2537, to 150 million in 2538, to 150 million in 2539, to 150 million in 2540, to 150 million in 2541, to 150 million in 2542, to 150 million in 2543, to 150 million in 2544, to 150 million in 2545, to 150 million in 2546, to 150 million in 2547, to 150 million in 2548, to 150 million in 2549, to 150 million in 2550, to 150 million in 2551, to 150 million in 2552, to 150 million in 2553, to 150 million in 2554, to 150 million in 2555, to 150 million in 2556, to 150 million in 2557, to 150 million in 2558, to 150 million in 2559, to 150 million in 2560, to 150 million in 2561, to 150 million in 2562, to 150 million in 2563, to 150 million in 2564, to 150 million in 2565, to 150 million in 2566, to 150 million in 2567, to 150 million in 2568, to 150 million in 2569, to 150 million in 2570, to 150 million in 2571, to 150 million in 2572, to 150 million in 2573, to 150 million in 2574, to 150 million in 2575, to 150 million in 2576, to 150 million in 2577, to 150 million in 2578, to 150 million in 2579, to 150 million in 2580, to 150 million in 2581, to 150 million in 2582, to 150 million in 2583, to 150 million in 2584, to 150 million in 2585, to 150 million in 2586, to 150 million in 2587, to 150 million in 2588, to 150 million in 2589, to 150 million in 2590, to 150 million in 2591, to 150 million in 2592, to 150 million in 2593, to 150 million in 2594, to 150 million in 2595, to 150 million in 2596, to 150 million in 2597, to 150 million in 2598, to 150 million in 2599, to 150 million in 2600, to 150 million in 2601, to 150 million in 2602, to 150 million in 2603, to 150 million in 2604, to 150 million in 2605, to 150 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Tuesday's AMEX Closing									
Tobies include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press									
12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE
100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100

Floating-Rate Notes									
March 18									
Dollars									
12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE	12 Month High Low Stock Chg. Yld. PE
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INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 18 March 1986									
The market prices indicate the percentage of the fund's net assets at the close of business on the date of the quotation. All figures are in U.S. dollars.									
100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100

### Continued Slowing Seen In Japan's Growth Rate

**Agency France-Press**  
**TOKYO**—Japan's economy is still expanding, but its growth has slowed further because of the effect of the yen's sharp appreciation on manufacturing industries, a government economic report released Tuesday said.  
 The monthly report, released by the Economic Planning Agency, said the rising value of the yen was likely to further slow plant and equipment investment. The report said, however, that consumer spending and housing construction were firming.  
 Government economic policy planners were pessimistic about the future performance of the Japanese economy as industrial production in the first quarter of this year was expected to decline 0.2 percent from the preceding quarter, for the third consecutive quarterly decline.

### Company Results

Company	Revenue	Profit	Dividend
100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100

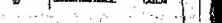
### AMEX High-Lows

Company	High	Low
100 100 100 100 100 100	100 100 100 100 100 100	100 100 100 100 100 100

The Daily Source for International Investors











## Lino Brocka 'Can't Disassociate' Films, Politics

**ANNOUNCEMENTS**

**HOW DOES GOD SPEAK?**  
Where is God? Why so much sadness,  
suffering & hunger? World war three &

**CONTINUED**  
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Nicaragua

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1. The first step is to identify the problem. In this case, the problem is that the company is not meeting its sales targets.

The following are the names of the persons who were present at the meeting held at the residence of Mr. Wang on the evening of the 10th inst.:

Mr. Wang, Mr. Lee, Mr. Chen, Mr. Kuo, Mr. Hsu, Mr. Yang, Mr. Wu, Mr. Lin, Mr. Chang, Mr. Liu, Mr. Tsai, Mr. Sun, Mr. Ma, Mr. Hsieh, Mr. Ku, Mr. Cheng, Mr. Shieh, Mr. Ho, Mr. Yeh, Mr. Yen, Mr. Chiu, Mr. Chang, Mr. Liu, Mr. Tsai, Mr. Sun, Mr. Ma, Mr. Hsieh, Mr. Ku, Mr. Cheng, Mr. Shieh, Mr. Ho, Mr. Yeh, Mr. Yen, Mr. Chiu.



President Hosni M  
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Office Bartholomew  
Chicago Post Series, 4  
40 - Egyptian and Israel  
continued talks Thursday  
improving relations. C  
back Wednesday on fo  
Cairo that resulted in t  
Egyptian's wife.  
the Egyptian

...the extensive hunt for the three Israelis who were taken from the plane. The Air Force plane, T-10, was shot down in the dead zone. Etti T... was to be flown to Israel... might aboard an El...

... Egyptian police co-  
... Israeli tourists  
... Sinai peninsula  
... calling itself Egypt

**INTERNATIONAL CLASSIFIED**

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Egypt since last A  
diplomat was an  
Egyptian police co  
even Israeli tourist  
the Sinai peninsula  
calling itself E-